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The Wine Spectator California Wine Oral History Series

William H. Hill

VINEYARD DEVELOPMENT AND THE WILLIAM HILL WINERY, 1970s-1990s

An Interview Conducted by
Carole Hicke
in 1997

Since 1954 the Regional Oral History Office has been interviewing leading participants in or well-placed witnesses to major events in the development of Northern California, the West, and the Nation. Oral history is a method of collecting historical information through tape-recorded interviews between a narrator with firsthand knowledge of historically significant events and a well-informed interviewer, with the goal of preserving substantive additions to the historical record. The tape recording is transcribed, lightly edited for continuity and clarity, and reviewed by the interviewee. The corrected manuscript is indexed, bound with photographs and illustrative materials, and placed in The Bancroft Library at the University of California, Berkeley, and in other research collections for scholarly use. Because it is primary material, oral history is not intended to present the final, verified, or complete narrative of events. It is a spoken account, offered by the interviewee in response to questioning, and as such it is reflective, partisan, deeply involved, and irreplaceable.

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William H. Hill.

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Interviewed in 1997 by Carole Hicke for the Wine Spectator California Wine Oral History Series, the Regional Oral History Office, The Bancroft Library, University of California, Berkeley.

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PREFACE

The California wine industry oral history series, a project of the Regional Oral History Office, was initiated by Ruth Teiser in 1969 through the action and with the financing of the Wine Advisory Board, a state marketing order organization which ceased operation in 1975. In 1983 it was reinstated as The Wine Spectator California Wine Oral History Series with donations from The Wine Spectator Scholarship Foundation. The selection of those to be interviewed has been made by a committee consisting of the director of The Bancroft Library, University of California, Berkeley; John A. De Luca, president of the Wine Institute, the statewide winery organization; Carole Hicke, series project director; and Marvin R. Shanken, trustee of The Wine Spectator Scholarship Foundation.

Until her death in June 1994, Ruth Teiser was project originator, initiator, director, and conductor of the greater part of the oral histories. Her book, Winemaking in California, co-authored with Catherine Harroun and published in 1982, was the product of more than forty years of research, interviewing, and photographing. (Those wine history files are now in The Bancroft Library for researcher use.) Ruth Teiser's expertise and knowledge of the wine industry contributed significantly to the documenting of its history in this series.

The purpose of the series is to record and preserve information on California grapegrowing and winemaking that has existed only in the memories of winemen. In some cases their recollections go back to the early years of this century, before Prohibition. These recollections are of particular value because the Prohibition period saw the disruption of not only the industry itself but also the orderly recording and preservation of records of its activities. Little has been written about the industry from late in the last century until Repeal. There is a real paucity of information on the Prohibition years (1920-1933), although some commercial winemaking did continue under supervision of the Prohibition Department. The material in this series on that period, as well as the discussion of the remarkable development of the wine industry in subsequent years will be of aid to historians. Of particular value is the fact that frequently several individuals have discussed the same subjects and events or expressed opinions on the same ideas, each from his or her own point of view.

Research underlying the interviews has been conducted principally in the University libraries at Berkeley and Davis, the California State Library, and in the library of the Wine Institute, which has made its collection of materials readily available for the purpose.

The Regional Oral History Office was established to tape record autobiographical interviews with persons who have contributed significantly to recent California history. The office is headed by Willa K. Baum and is under the administrative supervision of The Bancroft Library.

Carole Hicke
Project Director
The Wine Spectator California Wine
Oral History Series

July 1998
Regional Oral History Office
The Bancroft Library
University of California, Berkeley

CALIFORNIA WINE INDUSTRY INTERVIEWS
Interviews Completed as of October 1998

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Maynard A. Amerine, *The University of California and the State's Wine Industry*, 1971

Maynard A. Amerine, *Wine Bibliographies and Taste Perception Studies*, 1988

Richard L. Arrowood, *Sonoma County Winemaking: Chateau St. Jean and Arrowood Vineyards & Winery*, 1996

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Charles A. Carpy, *Viticulture and Enology at Freemark Abbey*, 1994

John B. Cella, *The Cella Family in the California Wine Industry*, 1986

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Burke H. Critchfield, Carl F. Wente, and Andrew G. Frericks, *The California Wine Industry During the Depression*, 1972

William V. Cruess, *A Half Century of Food and Wine Technology*, 1967

Jack and Jamie Peterman Davies, *Rebuilding Schramsberg: The Creation of a California Champagne House*, 1990

William A. Dieppe, *Almaden is My Life*, 1985

Paul Draper, *History and Philosophy of Winemaking at Ridge Vineyards: 1970s-1990s*, 1994

Daniel J. and Margaret S. Duckhorn, *Mostly Merlot: The History of Duckhorn Vineyards*, 1996

David, Jean, Peter, and Steven Ficklin, *Making California Port Wine: Ficklin Vineyards from 1948 to 1992*, 1992

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Louis J. Foppiano, *A Century of Agriculture and Winemaking in Sonoma County, 1896-1996*, 1996

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- Miljenko Grgich, *A Croatian-American Winemaker in the Napa Valley*, 1992
- Joseph E. Heitz, *Creating a Winery in the Napa Valley*, 1986
- William H. Hill, *Vineyard Development and the William Hill Winery, 1970s-1990s*, 1998
- Agustin Huneeus, *A World View of the Wine Industry*, 1996
- Maynard A. Joslyn, *A Technologist Views the California Wine Industry, 1974*
- Amandus N. Kasimatis, *A Career in California Viticulture*, 1988
- Morris Katz, *Paul Masson Winery Operations and Management, 1944-1988*, 1990
- Legh F. Knowles, Jr., *Beaulieu Vineyards from Family to Corporate Ownership, 1990*
- Horace O. Lanza and Harry Baccigaluppi, *California Grape Products and Other Wine Enterprises*, 1971
- Zelma R. Long, *The Past is the Beginning of the Future: Simi Winery in its Second Century*, 1992
- Richard Maher, *California Winery Management and Marketing*, 1992
- Louis M. Martini and Louis P. Martini, *Wine Making in the Napa Valley, 1973*
- Louis P. Martini, *A Family Winery and the California Wine Industry*, 1984
- Eleanor McCrea, *Stony Hill Vineyards: The Creation of a Napa Valley Estate Winery*, 1990
- Otto E. Meyer, *California Premium Wines and Brandy*, 1973
- Norbert C. Mirassou and Edmund A. Mirassou, *The Evolution of a Santa Clara Valley Winery*, 1986
- Peter Mondavi, *Advances in Technology and Production at Charles Krug Winery, 1946-1988*, 1990
- Robert Mondavi, *Creativity in the Wine Industry*, 1985
- Michael Moone, *Management and Marketing at Beringer Vineyards and Wine World, Inc.*, 1990
- Myron S. Nightingale, *Making Wine in California, 1944-1987*, 1988

- Harold P. Olmo, *Plant Genetics and New Grape Varieties*, 1976
- Cornelius Ough, *Researches of an Enologist, University of California, Davis, 1950-1990*, 1990
- John A. Parducci, *Six Decades of Making Wine in Mendocino County, California, 1992*
- Antonio Perelli-Minetti, *A Life in Wine Making*, 1975
- Louis A. Petri, *The Petri Family in the Wine Industry*, 1971
- Jefferson E. Peyser, *The Law and the California Wine Industry*, 1974
- Joseph Phelps, *Joseph Phelps Vineyards: Classic Wines and Rhone Varietals*, 1996
- Lucius Powers, *The Fresno Area and the California Wine Industry*, 1974
- Victor Repetto and Sydney J. Block, *Perspectives on California Wines*, 1976
- Edmund A. Rossi, *Italian Swiss Colony and the Wine Industry*, 1971
- Edmund A. Rossi, Jr., *Italian Swiss Colony, 1949-1989: Recollections of a Third-Generation California Winemaker*, 1990
- Arpaxat Setrakian, *A. Setrakian, a Leader of the San Joaquin Valley Grape Industry*, 1977
- Elie Skofis, *California Wine and Brandy Maker*, 1988
- David S. Stare, *Fumé Blanc and Meritage Wines in Sonoma County: Dry Creek Vineyard's Pioneer Winemaking*, 1996
- Rodney S. Strong, *Rodney Strong Vineyards: Creative Winemaking and Winery Management in Sonoma County*, 1994
- Andre Tchelistcheff, *Grapes, Wine, and Ecology*, 1983
- Brother Timothy, *The Christian Brothers as Wine Makers*, 1974
- Janet and John Trefethen, *Trefethen Vineyards, 1968-1998*, 1998
- Louis (Bob) Trinchero, *California Zinfandels, a Success Story*, 1992
- Charles F. Wagner and Charles J. Wagner, *Caymus Vineyards: A Father-Son Team Producing Distinctive Wines*, 1994
- The Wente Family and the California Wine Industry*, interviews with Jean, Carolyn, Philip, and Eric Wente, 1992
- Ernest A. Wente, *Wine Making in the Livermore Valley*, 1971
- Warren Winiarski, *Creating Classic Wines in the Napa Valley*, 1994

Albert J. Winkler, *Viticultural Research at UC Davis (1921-1971)*, 1973

Frank M. Woods, *Founding Clos Du Bois Winery: A Marketing Approach*, 1998

John H. Wright, *Domaine Chandon: The First French-owned California Sparkling Wine Cellar*, includes an interview with Edmond Maudière, 1992

INTERVIEW HISTORY--William H. Hill

William H. Hill, founder and owner of William Hill Winery and Hill & Thoma Wines, was interviewed as part of the Wine Spectator's California Wine Oral History Series to document his career and contributions to the history of California wines.

Hill has participated in wine industry businesses since the early 1970s, when he began forming partnerships to develop promising vineyards. Identifying terroir of the vineyard as a crucial component of successful winemaking, he bought and developed for grape growing important properties in Napa Valley, California. He then began making wine under the William Hill label, producing acclaimed Cabernet Sauvignon and Chardonnay wines. After this winery was sold to Allied Lyons, he went on to further ventures in the industry, culminating in the formation of Hill & Thoma Wines.

Starting up a new company is a challenge, and we are fortunate that William Hill was willing to record his oral history. He made time to be interviewed in his Napa office in July 1997. Although we covered the major steps in his career, a more leisurely interview would have been valuable. He reviewed the transcript and made few changes.

This series is part of the ongoing documenting of California history by the Regional Oral History Office, which is under the direction of Willa Baum, Division Head, and under the administrative direction of The Bancroft Library, University of California, Berkeley.

Carole Hicke
Project Director

June 20, 1998
Regional Oral History Office
Berkeley, California

Regional Oral History Office
Room 486 The Bancroft Library

University of California
Berkeley, California 94720

BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name William Henry Hill

Date of birth Oct 18, 1942 Birthplace Oklahoma City

Father's full name William Henry Hill

Occupation Too varied to list Birthplace Fort Worth, Texas

Mother's full name Eleanor Nell Hill

Occupation Mother Birthplace Hinton Oklahoma

Your spouse divorced

Your children Jason Hill

Elana Hill

Where did you grow up? Oklahoma City

Present community Napa, California

Education 1) B.A., Liberal Arts, University of Oklahoma
2) M.B.A., Stanford University

Occupation(s) Winemaker

Areas of expertise Development and farming of "Grand Crus";
and winemaking.

Other interests or activities Golf, skiing, various athletics, fiction
novels, American history, physics, anything that
relates to my children, food, wine, horseback riding.

Organizations in which you are active ASEV; Napa Valley Vintners
Association; various technical organizations;

I YOUTH AND EDUCATION

[Interview 1: July 9, 1997] #¹

Childhood and Education in Oklahoma

Hicke: Let's just start this afternoon by asking you when and where you born.

Hill: I was born in Oklahoma City in 1942.

Hicke: Did you grow up there?

Hill: Yes. I lived there all the way through my undergraduate college education. I went to the University of Oklahoma, and so that whole period of time I lived in Oklahoma City--well, I lived in Norman, of course, when I was going to school there, but Oklahoma City was still my home.

Hicke: You didn't give me the actual date, did you?

Hill: October 18, 1942.

Hicke: Thanks. How did you like growing up in Oklahoma? Was that an interesting experience for you?

Hill: Oh, sure. Well, it was fine. It was home to me, and it's still sort of home, but I've been in California so long I really consider this my home. But I had a good childhood and certainly a good family life, so growing up there was just fine.

^{1##} This symbol indicates that a tape or tape segment has begun or ended. A guide to the tapes follows the transcript.

Attraction to California

Hill: As I got older, though--when I was going to school--and started thinking about where I wanted to go in the future, I was attracted to many things that made me decide that I wanted to move to California, long before I ever decided to get into the wine business.

Hicke: What things?

Hill: Oh, I had come out here and worked for a while, and everything from economic opportunities to the wonderful aesthetic things of California: the coast, the weather, the mountains, and all of the things that have brought millions and millions of other people to California. I decided, by the time I was a sophomore in college, that I was probably going to move to California. So I came out and worked one summer. As well as working and living in Southern California, I traveled around the state just to get a feel for it, and I decided, then, by that time that, one, I wanted to move to California, and, secondly, if I could get in, I wanted to go to Stanford for graduate school. So that was already in my mind by the time I was a junior at the University of Oklahoma.

Hicke: Where did you work that summer?

Hill: At Disneyland.

Hicke: It was a warm summer though. Well, you were used to it, maybe, in Oklahoma. And where did you travel? Just up and down California?

Hill: We came up the coast, spent time in San Francisco, went to the mountains. I mean, nobody sees California in a short period of time. There's so much to see, but I got a pretty good flavor for it, and decided, among other things, that I especially liked Northern California. I still hadn't thought anything about the wine business, but I really liked California on all those different levels. So from then on, it was just a matter of when I would come and what I would do when I got here. As I mentioned, I'd already decided I wanted to go to graduate school.

School Interests and Extracurricular Activities

Hicke: Let's back up to grade school and high school. What kinds of classes did you like, particularly? What interested you the most?

Hill: Math and science, I suppose, but at different periods, I liked different things like history. I guess when you look back on it, really, I liked all different kinds of study areas at different points in time. I think a lot of it was when I had good teachers. So I liked everything when I had good teachers, but as far as areas that I had more natural talent in, I guess math and science and English, to some degree.

Hicke: Yes, I think the teacher makes a lot of difference. What about outside activities?

Hill: This was like still when I was back there in school, you mean?

Hicke: Yes, before you got out here.

Hill: Mostly sports. I did a lot of sports up through the high school age: football, wrestling, and baseball, mostly. Then, after I got into college, I started playing a little bit of golf and skiing a little bit. We'd go up to Colorado and go skiing. So sports have always been a real important part of my life.

Exposure to Wine and European Travels

Hicke: Did you drink wine at home?

Hill: No. Oklahoma at that time was not too many years removed from Prohibition.

Hicke: Yes, blue laws.

Hill: Yes, they were a dry state long past national Prohibition, of course. Keep in mind, at this point, America was not a wine-drinking culture. There were pockets of it on the coasts, but it was not a wine-drinking culture--and Oklahoma certainly was not a wine-drinking culture. And my family--they were not religiously opposed to drinking or anything like that, but they did very little. I was the first one on my father's side and the second one on my mother's side, among many cousins and grandkids and so on, to go to college. They were working-class people. Working-class people, at that time in the middle part of America, really were never exposed to wine. Beer and liquor, yes, but not wine. So, no, I wasn't exposed to that.

The first time I really became exposed to it was when I was at the University of Oklahoma. This would have been the summer after my sophomore year--or junior year, perhaps--that I went to Europe,

just for the summer, along with several friends--one of whom is the fellow named John Mayes, who is currently here with me and is my partner. There used to be a book at that time called Europe on \$10 a Day or something like that.

Hicke: Five dollars a day was the first one, but I don't know. It kept going up.

Hill: Europe on \$5 a Day, that's what it was. We used to scoff at that, because we got along on about two dollars a day. [laughter] We had a big joke about that, because all of us--well, at least three of the four of us--were working our way through school and so on. We didn't have very much money. So we went. One of the four of us had more, but our lifestyle seemed to be dictated by the other three.

Hicke: What inspired you to go to Europe?

Hill: Oh, we were getting far enough along in our education to be thinking that we wanted to go see these places. We wanted to see the world. So we found ways to do it very cheaply. We went to New Orleans and went on a freighter. I mean, you talk about the "slow boat to China," this was the slow boat. [laughs] You had to stop all along the East Coast before it finally went and made it across. We went over on a freighter and came back on one of those student ships. They were real cheap, but a lot of fun; they were like big floating dormitories. We went over like that, and we rented this little car. The four of us lived out of the car--I mean almost every night. We would check into a hotel about once every week or so to kind of clean up, but we would take turns sleeping in the car and sleeping on the ground in sleeping bags. So that was my first exposure to Europe.

Hicke: Where did you go?

Hill: Oh, we just made the big circle. We started in France and went down through Spain and over to Italy and back up through the German-speaking countries and ended up in England.

Hicke: The grand tour.

Hill: The grand tour. You know, it was three months, and we would just drive all the time. But during that period of time, many things were very powerful experiences. Among them was being exposed to food and wine at an artistic level that you didn't see in Oklahoma at that time. I mean, this whole thing about the wine culture arising in America over the last twenty-five years or so: it's not wine in a vacuum; it's really an increased level of sophistication and the maturation of our culture, in many ways, that it's a part

of. One slice of that is it's appreciation for quality in food and wine--or quality in food, which wine is a part of. But that wasn't really happening in America yet. I mean, we still mostly judged food on how big the helping was, you know. [laughter] And that, of course, has changed dramatically during this period of time.

But to go to Europe, where that was so different, was really interesting to me. It made a big impression, and tasting all these gourmet cheeses and all these pastries and all these things, and seeing how much attention went into really making quality--and the same thing, of course, with wine--was a strong experience. It essentially left me with a greater appreciation for paying attention to quality--things that create quality of life. That's probably the biggest single thing I brought back from that trip.

Hicke: So you were tasting wines along with the foods and so forth?

Hill: Oh, yes. Yes.

Hicke: Did you decide on a preferred country for wines?

Hill: Oh, sure. France. [laughs] That wasn't too hard. Not that there aren't good wines in the others, but wine--particularly at that time, before a few other places in the world like California and Oregon, and more recently a couple other places--before those emerged, wine was clearly at its height in France. In fact, at that time, Italy had sort of slipped into mediocrity. It's come roaring back; there are some great wines in Italy and so on.

Hicke: Chianti used to be just the straw bottle, and so forth.

Hill: Yes, but wine as an artistic and aesthetic expression was clearly at its height, then, in France. That's still true today, it's just there are other places that sort of share those heights, to some degree.

Hicke: So, that was really a memorable experience.

Hill: It was. Then I lived in Europe a while also before I moved to the coast, after that. After I graduated from the University of Oklahoma, I was in the army for a couple of years.

College Education

Hicke: Okay, let's go back to school. First of all, how did you pick the University of Oklahoma? It was your state university?

Hill: Yes. Again, as I mentioned, I was the first one to go to college in my family except for one person on one side, so I really didn't have much guidance there, and it was really pretty simple: the University of Oklahoma was the best university in Oklahoma and they had a great wrestling team. I wanted to wrestle in college, and that is sort of the extent of my search. If I were doing it with the knowledge I have now, I would apply a much broader range of criteria to my selection process--not that there's anything wrong with the University of Oklahoma. But that was really it. I mean, all my friends were going there--things like that. It was really that sort of criteria.

Hicke: Did you have in mind what you wanted to study?

Hill: Well, I did, but it changed about five times by the time I got out. That was a period of time in America in which there was a lot of encouragement from public policy and otherwise for more engineers. So I started out studying engineering. I actually got several years into that program before I decided I didn't want to be an engineer, so I shifted over into liberal arts. I decided at that point that I wanted to go to graduate school. At that point, I kind of figured out something that I still believe today but that I hadn't figured out previously: that if you're going to go to a fairly high level of education, that the undergraduate level still should be viewed sort of like high school, giving you a broad base of understanding in many things, and not so much specializing, and then specializing more when you get to the graduate level. So I started sort of coming to that conclusion that I didn't want to be an engineer; then I shifted into a liberal arts program so I could study a wide range of things from humanities through sciences and so on with the idea of going to graduate school. I was pretty sure I wanted to go to a graduate business school. I was thinking a little bit about law school and possibly some other areas, but before too long focused in on going to graduate business school.

Hicke: What year did you graduate from the University of Oklahoma?

Hill: '65.

Army Years

Hicke: What did you do right after you graduated?

Hill: I was in the army. Back in those days, either you signed up or you were drafted. [laughs] So I was in the Reserve Officers program. I was in the army, then, for two years. The first part of that time I was in a couple of different advanced training schools.

Hicke: Which ones?

Hill: Well, I was at a NATO school in Virginia in a couple of advanced programs. Then I was stationed and transferred to Germany, which is where I was to spend most of my time.

Hicke: Where?

Hill: A little community out in the western edge close to Trier, called Idar-Oberstein.

Hicke: I know it well.

Hill: You know Idar-Oberstein?

Hicke: Oh, yes.

Hill: You're probably the only person I've ever run into since then who's ever heard of Idar-Oberstein. What a nice little place that is.

Hicke: We were actually just there a couple of years ago.

Hill: Oh, it was great. I really liked it.

Hicke: Full of gems.

Hill: Yes, gems and the gem-cutting business and all that, and such a beautiful little place. I mean, if you've got to be in the army, what nicer place to be? In Idar-Oberstein at peace-time. [laughter] It was great, and that allowed me to, then, continue. In the meantime, during this period in which I went back into liberal arts, I really enjoyed history, and it was sort of like I was catching up on and waking up to all these things that I had kind of missed in my education. I did a lot of reading on my own on history and stuff. It was great to go back to Europe, then, and go back to some of these places that I maybe had been to once, but they had more meaning now.

Hicke: There are some wine-growing areas around there now. I don't know if there were then.

Hill: Yes, there were some. So that allowed me, also, to travel a little more and to further develop my interest in food and wine--still never entering my mind that that might be a business. It was just a growing interest, as a part of the enrichment of life beyond what you do to make a living.

Hicke: How long were you there?

Hill: I was only there about a year, and then, unfortunately, it got cut a little short. This would have been in 1967, and that was the point at which the Vietnam War was just starting to change from being a volunteer situation to building up and taking draftees and so on over there. So my stay over there got cut short, because I got called back to be part of the staff at a basic training camp at Ft. Campbell, Kentucky. So I was there for the last six months of my stay in the army.

Hicke: Training for--?

Hill: Well, that's where they were processing all these people that were building up the army to go to Vietnam. I didn't have very long left in the military, so I didn't have long enough left to get sent to Vietnam. But I was brought back because, you see, those training camps--back during that volatile Cold War era, during times when everything looked peaceful--they just shut those places down. They'd go to ghost towns. Then something happens and they'd build them back up. They just had to restaff this whole thing. So they just drew officers and enlisted men, too, out of every place, brought them in, and created this staff.

Hicke: What was your job in the army?

Hill: Well, like in this place, I was a company executive officer. They were going through basic training. So my whole company--except for the officers and the sergeants--the bulk of the people were going through basic training.

Hicke: And you just were in charge of them?

Hill: Right.

Hicke: Getting them up in the morning. [laughs]

Hill: Getting them up in the morning, getting them fed, getting them over to where they were trained for this, and getting them over

where they were trained for that, and doing exercises, that kind of thing.

Hicke: Classic army training.

Hill: Yes.

Hicke: When did you get out of the army?

Hill: Let's see, '67, because I got out in the summer of '67.

MBA Program, Stanford University

Hill: In the meantime, I'd been accepted to Stanford for the MBA program. So I came out in the fall of '67 and started school in Stanford. I was there through '69.

Hicke: Now, why did you decide you wanted an MBA? It wasn't entirely because you wanted to go to California?

Hill: Well, no, it was because I knew that I wanted to do some kind of business. I wanted to have some kind of involvement in business. I just didn't know what industry or what kind of company that would lead me to. But I decided that was what I wanted to do, and so if you want to do that, your best avenue--as far as educational preparation--is a good business school program, and there's none better than Stanford. I was lucky enough to get in there, so that was easy.

Hicke: I doubt if it's luck. You must have had pretty good grades and so forth.

Hill: Well, you know, interestingly enough, I actually had better grades after I got to Stanford among much harder competition than anything I'd ever been around before, and a lot of people that had a lot of better educational preparation than I did. I had actually had much better grades there than I did at the University of Oklahoma, because at the University of Oklahoma, I would make As if I liked the course and Cs if I didn't like it. So my grades weren't that spectacular, but I think it's my standardized test scores that got me in. So I had a good day when I took the standardized tests. [laughs]

Hicke: And obviously your interests were more engaged when you got to graduate school.

Hill: Yes. I was much more mature. I was very goal-directed. I mean, I came there with a purpose, you know. It was just a function of maturity and having a plan for myself. I was a very serious student at Stanford.

Hicke: Focused.

Hill: Yes, very.

Hicke: Does anything about that time at Stanford particularly stand out? Any outstanding professors or other students?

Hill: Well, all of them. I think, certainly, one of the ones that jumps to mind is a professor who has become a friend over time: a fellow named Jack McDonald, who is now a senior professor there, mostly teaching financial things. His first year of teaching was my first year there. He was very good and his class was very popular. Over time, he's become a renowned professor and is on many boards of directors and a consultant and so on. He also happens to speak French and spent a period of time in France and loves wine. I knew none of that then, when I was taking it, I just liked him as a teacher. He spent some time teaching in the interim in France and came to love wine. So, at some point about the early eighties, he had sort of heard about and followed my career a little bit. We started talking a little bit, and he created a case study on our company. They use a lot of case study method at the business school.

Hicke: Which company?

Hill: Well, it was William Hill Wine Company and our efforts back then. He created a case study of that in the early eighties, which he has updated and continued to teach until today. It is now the longest running case study in Stanford Business School. [laughs]

Hicke: Wow, congratulations.

Hill: And the names have changed, the properties have come and gone, and everything else. As a matter of fact, I was down there about in April sometime. I went down and spoke to his class. I do that most years--I'll go down there and talk to the class after they've had the case study.

Hicke: Well, I trust they give you a little commission or something. [laughs]

Hill: No, it's fine. I do it for Jack and the school. It's one little way to give something back. Stanford was a wonderful experience for me. It's such a stimulating, intense, intellectual

environment. I was ready, as I mentioned. I came there hungry for that kind of thing--and not just the business school, but that whole environment. It's a wonderful place with a lot of really intelligent people thinking about a lot of really important things. It was a very significant time for me.

Hicke: Stimulating.

Hill: That was a time in which a lot of us were stimulated, thinking about the meaning of life and international affairs, and Vietnam was going on, and the whole hippie movement was challenging a lot of our concepts of values; all those debates were going on in that late sixties period. It was a good place to be at those times because there was a lot of good, meaningful debate going on about those things. It was definitely one of the high points of my life--my two years at Stanford.

Hicke: Were there any major protests there? I can't remember.

Hill: Oh, yes. Definitely. And marches. There was the Stanford Research Institute, which did a lot of defense contracting that was the target of some of that.

Hicke: So there was a lot of fermentation?

Hill: Yes. Of course, the important thing was not the dramatics of the marches and all that, but the lasting effect was the intellectual stimulation and debate about all these things that were so prevalent. It was a good time.

Hicke: You didn't have to worry about getting called up to go to Vietnam?

Hill: No. Legally, it could have happened, but they never shifted into that mode where they were calling the reserves back like that. I mean, it could have happened, but it was not very likely.

Hicke: Did you stay in the reserves?

Hill: You have to. Yes. If you train for that officers' program, you can go through training--part-time training--for four years before you can go in. Then you go through a basic training program for one summer. Then you graduate and you become an officer. Then, if you're in for a couple of years, you're still an officer in the reserves for at least two years. It may have been a little longer than that. I think it's active reserve for two years and inactive for three more or something like that. So, theoretically, I was in the army for a while after that, but it's rare to call people like that back.

Hicke: Well, you were ROTC in the university?

Hill: Yes, right.

Hicke: So, that's how you got started there. Now what year did you graduate from Stanford?

Hill: Spring of '69.

Summer Jobs

Hicke: And what were you doing all these summers? Were you going to school all year 'round?

Hill: When you say "all," you mean going back even before Stanford?

Hicke: Yes, I didn't ask you about some of the other summers.

Hill: I had--going way back--a different job every summer. I mean, I'd been working since I was nine years old.

Hicke: Paper boy?

Hill: No. My father had a business way back when I was in my early teens--a fruit business, watermelons and things like that. I used to be involved in that, and as I got a little older, at one time or another, I did roofing. I worked in a steel fabricating factory for a couple of summers when I was at the University of Oklahoma. I worked at Disneyland as I mentioned. At Stanford, I really only had one summer in between years, because then I was out the next summer. The summer between years at Stanford I worked for a long-defunct stock-brokerage house in San Francisco--back office kind of stuff.

Hicke: What was the name of it? Do you recall?

Hill: Oh, boy. I don't know if I could even remember. It was a real small, one-office place. In fact, there used to be so many of them. They don't exist anymore, generally--that industry is so consolidated.

II EARLY WORK EXPERIENCES AND ENTRY INTO WINE BUSINESS

Work in Real-Estate Brokerage and Investment Companies

Hicke: After you graduated, what happened?

Hill: Well, I still hadn't thought of the wine business. While I was at Stanford, I had some friends that were interested in wine, and we had these casual groups where we would each go out and buy our five-dollar bottle--which for us was swinging big-time. We'd save up for it, buy our five-dollar bottle of French wine, and taste them blind. Everybody brought a bottle and we could taste them all. So I was into that, and it was a growing hobby, but I still hadn't thought of it as a business. So I had several jobs through that two-year period after I first got out.

My very first job was with a company called Grubb & Ellis, which at that time was an Oakland-based real estate brokerage and management operation. They hired me to do what was basically analysis work. They were trying to put sort of a new concept together to provide new investment opportunities for institutions, among others. So I was hired to help them analyze properties to buy, but that was a very brief stay.

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Hill: And I worked briefly for two other companies that were similar. One was named Coldwell Banker--I'm sure you've heard the name. They're a very different company now, but at that time they were a California-based real estate brokerage company. They also wanted to start putting together some funds for institutions, like pension plans. So I took a job with them. Then I worked for a small private company that put real estate partnerships together. It was during that period that I learned how to put together partnerships, and I later applied that knowledge to putting together partnerships to buy vineyards. That's where I sort of learned how to do that.

Hicke: You learned the legal aspects of what forms to fill out?

Hill: Yes, right. How you set them up, how they are operated, and all that.

Hicke: But were you also having to gather people up for partnerships?

Hill: Very little, very little. I really wasn't involved in that part of the agreement.

So that sort of real estate investment of one aspect or another is sort of what I was involved with for several years. But always during that period, those were just jobs. I was trying to figure out what I wanted to do at this point, like many people fresh out of college are doing.

Hicke: Sure.

Hill: In about 1971, maybe 1972, I was doing some work for a company that was in the investment advisory business. They managed people's portfolios and stocks and bonds--that kind of thing--and they hired me because they were considering possibly offering their clients what they called illiquid investments--meaning things that aren't traded on a stock exchange, like investment in real estate or investment in oil and gas or leasing or something like that. So they hired me just to look at these areas and then tell them what I thought, and then they would decide if they wanted to start offering these things.

Rationale for Entering Wine Business

Hill: As I said, this would be probably 1972 when I was going through that. At that time, some people were just starting to notice that America's wine consumption was starting to grow steadily from a very low base. But in the late sixties, wine consumption was tiny compared to today.

Hicke: More interest in better wines?

Hill: Well, in those days, the focus was mostly just wines at all, but certainly, what it's become is a higher orientation towards the higher quality. So as a result of that, there were also some people who were putting some investments together in vineyards and so on--and that's sort of what called my attention to it, because in my capacity with this company, a couple of these things came across my desk. I thought, "Gee, well that's kind of

interesting." Because, remember, by this time wine is a hobby of mine--wine and food are something that really interest me.

Hicke: You were still doing some tastings and things like that?

Hill: Oh yes. So, one, it's an interest of mine; secondly, I'm trying to decide what I want to do with my life and looking for something that's interesting, which none of this stuff I'd done at that point was--I mean, in a career sense. So this started coming across my desk, and, "Well, gee, I think I'll look into this."

Hicke: Look into what, specifically?

Hill: Why they're doing these vineyards; why they're saying that the wine industry is going to grow. I said, "I think I'll see if I can understand what they're talking about here."

Hicke: Wasn't this also a period when there was a lot of interest in partnerships and there were a lot of tax advantages and all that sort of thing?

Hill: Yes. Vineyards typically weren't tax deals like some of the real-estate deals were. Some of the early ones I saw were tax-shelter oriented to some degree, but they more relied on "the industry's going to grow." By the time I got around to doing them--or at least, certainly by the eighties--they weren't tax deals at all. The laws had changed in such a way that they weren't at all, but at that time--in the early seventies--they were.

While doing all these other things at my job--for like a year, there--I spent a lot of time researching. The basic question is always the foundation of any industry, and that is, "What is the demand? Who wants this product? And are there going to be more of them? And what is it they want?" So I spent a significant amount of time trying to understand: "Is there reason to believe that this is going to continue to grow like this? Is America actually going to become a wine-drinking culture?"

Hicke: How did you go about looking at that?

Hill: Well, first of all, I looked at the patterns of consumption--who was doing it. But you know what it really came down to in the long run, when I finally decided, "Yes, this is going to continue to grow steadily and way into the future"--what it really came down to was no more sophisticated than this: I said, "Look, I think this is applicable to a significant proportion of the population, not everybody, but a significant portion of the population: life is a little bit better if you have good wine with dinner at night. And if that is true to a significant part of the

population, then the only reason they're not doing it now is they just don't know that yet. So as they become more exposed to this, they're going to do it. They're going to do it in Cleveland, and they're going to do it in Birmingham--not just in San Francisco and New York--they're going to do it in Albuquerque and every place else."

Also, it was clear to me--because of a lot of research and things I'd been exposed to in my travels, my education--that America was maturing in many ways. In the sixties and in the seventies, a lot more Americans were traveling; a lot more Americans were exposed to the things in other parts of America--and in fact, to other parts of the world--by electronics and television. Everything was causing Americans to become much more worldly, much more sophisticated, and--as a part of that--more quality oriented and so on. So that meant that the concept I just described--they're going to figure this out pretty soon. "Pretty soon," as the evolution of industries goes, may take twenty years, but in change of culture, twenty years is a very short time.

So the first realization was, "Well, gee, for these reasons, this wine business is going to keep growing and growing and growing." Furthermore, I felt that probably, since America was relatively affluent, that it would probably be more oriented toward higher quality wines. So I said, "Okay, that's interesting, but that's only half the equation. The other half of the equation is what does it take to make?" Particularly, I quickly focused in on the higher quality end, because a main motivating factor was not financial--it was that I loved wine. So I was more interested in the business of fine wine than I was the cheaper wines. Regardless of which was the best business, I had a higher level of interest here.

So I said, "Okay, if this is probably going to unfold, then I think the next thing for me is to figure out what is entailed in making high quality wine. I mean, is it something that if people start drinking it, we could all of a sudden be flooded with a lot of volume and you still can't have a decent business because there's an over-supply? Or is it hard? Is it mysterious? Is it something you can figure out if you work hard enough?" So then I spent a lot of time particularly focusing on the European experience. It proved to be an advantage, coming from ignorance, in the sense that not having any ties to the California industry, I looked a lot to the European experience. Since the California industry was so young, there was a wealth of wisdom in Europe that has since become incorporated in California, but frankly, wasn't yet.

Hicke: And thanks to people like you who brought over interest in wine, probably.

Hill: Well, yes, the whole flood of people that have come in, yes--but all driven by the American consumer, who has been getting progressively more and more sophisticated, more and more demanding, and more and more willing to pay to produce the higher quality--because it costs more to make higher quality.

Hicke: When you say Europe, now, are you speaking primarily of France? Because there is a diversity of wines in Europe.

Hill: Primarily France, right. So then I spent a period of time trying to understand what it takes to make wine, particularly what it takes to make really high-quality wine. These efforts actually overlapped: starting on the demand side and then on the supply side. When I got far enough into that attempt to understand what it takes to make really high-quality wine--when I got far enough into that to realize a couple of principles--that's when it really clicked to me that this is maybe what I want to do for a business. Once again, fortunately I was looking at the European experience, and this is the most important thing I've learned in the wine business--everything else has been built on this: that the primary determinant of wine quality is the vineyard, which is a function of climates and soils and then the variety you put on that. If you go to Bordeaux, there are a few vineyards that make great wine, and many vineyards that make very mediocre wine--and it's always the same vineyards that make the great wine. So the overwhelming determinant of wine quality is the vineyard.

Hicke: But you were way ahead of your time in figuring that out.

Hill: Well, it was conventional wisdom in Europe. It was just that I was tapping into the European experience instead of where this was.

Secondly, then, I tried to understand a little bit, at a very cursory level, what is it about a piece of property that makes it a great vineyard or a not-so-great vineyard. When I got far enough into that to realize that the circumstances that determine whether a vineyard, a property, has a potential to be a great vineyard, [I realized they] unfortunately are very rare in the world. You have to be on west banks of continents between certain latitudes with a certain amount of maritime influence, and it's a little different from one variety to another. Chardonnay's a little different from Cabernet [Sauvignon]. Pinot Noir--that's why I'm in Oregon, because Pinot Noir is better up there. Cabernet is better down here--just like Burgundy and Bordeaux in France.

So when I realized, then, that first of all, the vineyard was the primary determinant of wine quality; secondly, that the nature of great vineyards were such that they were scarce in the world--

that's when the lights sort of went on. I said, "Okay, wait a minute. It looks like America is going to slowly, but surely, become a wine-drinking culture; we're undeveloped--it's a frontier here." It's not like if I decided that in France and I went over and tried to work my way in the industry with no capital and buy great vineyards--forget it. That's why the French people keep moving over here, because they can't do it over there. It's already controlled. But over here, if I could learn how to identify properties that make great wine and then develop them and eventually make and sell wine from them in an environment of growing demand, it could be a good business doing something I loved.

So that dawned on me about the end of 1972 or early 1973, and from that time forward, I've never wanted to do anything except grow grapes and make wine.

Learning about the Wine Industry and Grape Growing

Hicke: This is just absolutely fascinating, but I have to go back now. Did you learn all this by reading, by talking to people, by going out and digging down in the soil?

Hill: All those things, plus drinking wine.

Hicke: But you can't learn about the vineyard from drinking wine.

Hill: Yes, you can. In fact, the way I've learned to be a winemaker, what I do, it's an iteration process over time. For example, let's say I wanted to make a wine from some Italian variety I had no experience in, like Sangiovese (until recently). What I'd do is I'd line up all the very best Sangioveses I could find in the world, and I'd start tasting through them. As I say, this is an iteration process over time. I'd taste through, and after a while, you start to identify flavors and aromas that you like, some you don't like. Here are fifteen wines--well, these nine wines have this one flavor that I like and these don't. Then you go back and you research where they came from--what were the soils and the climates and how were they made? Eventually, you'll start being able to associate these flavors and aromas with the causation factors: climate, soils, clones, varieties, growing techniques, cellar practices, and all that.

Hicke: So you can learn all about the winery and the vineyard of each wine.

Hill: And the learning process starts in tasting the wine--at least, that's the way I've done it.

Hicke: But you also have to know where they're located geographically and climatically?

Hill: That's right.

Hicke: It sounds like a huge amount of work, but also some fun. [laughs]

Hill: Yes, but it's enjoyable, and what greater blessing can you have than to have a job that you love. Then you can afford to do it over years, and you keep working and working.

Agricultural Consulting Work

Hicke: But, meanwhile, you were making your living elsewhere. At least until you came up with this decision.

Hill: Well, in '73, then, I decided that I wanted to get in the wine business--more specifically, try to figure out how to find great vineyards and then, eventually, make high-quality wine. But I had no credential or capital at that point. So then I did a little bit of consulting just here and there--wherever I could find some consulting that was agriculturally oriented, just to give myself a little more knowledge and a little more of a credential. I can remember doing a consulting job in almonds--I didn't know anything about almonds except that I loved to eat them, but it was more financial.

Hicke: You went and analyzed their business?

Hill: Yes. If somebody wanted to buy a place, I showed them how you lay it out and you budget it and you figure the costs and decide how much you could pay for it and that kind of thing. In the meantime, I'm learning about how you grow almonds--or as they say in the Central Valley, "am-mens." [rhyming it with "salmons"] I had to learn to be bilingual. I said "almonds" to my employer and I'd say "ammens" when I was talking to the farmer. [laughter] But anyway, it's a process, then, learning how you grow things and how you do that. I helped some people buy a rice ranch.

Hicke: A rice ranch?

Hill: Yes, it all was just a little step down the road.

Development of Diamond Mountain Ranch Vineyards

Hill: In the meantime, I was coming up here and talking to people. See, at this point, I knew that you had to have a great vineyard to make great wine, but I didn't have much of an idea about what a great vineyard was. During that period of '73-'74, essentially what I was doing was I was coming up here and talking to people like André Tchelistcheff and saying things like--if I could just paraphrase it--"André, I understand you have to have great vineyards to make great wine. You've made a lot of it. Where have you found your best fruit coming from?" And one of the things that he, in particular, told me was, "Well, the mountains on the west side--they're not economic to farm"--which they weren't back then--"but they sure do make some good Cabernet." That's the kind of level of sophistication or knowledge at that point. [laughs]

So in late 1973--or, no, it was in 1974--I started looking for properties in the Mayacamas Range: those were the mountains on the west side of the valley, here. I found a property up by Calistoga that had been grapes in the late 1800s and the early part of this century and had been abandoned. It was for sale, and it was way back up in the mountains, and it was real cheap. So I took that, and I went to a company that was in the business of putting investment partnerships in real estate together. They had never done anything in vineyards, but they bought apartment houses and that kind of thing--and they had done a little bit of agriculture in the Central Valley. So they were at least open to that.

Hicke: What was the name of this company? Do you recall?

Hill: I think it was called "Questor." It's not in existence anymore. So I went to them and said, "Look, I think this is a good investment opportunity for you, and if you guys put a partnership together and buy it, I'll move up there and manage it for you." You see, I didn't have enough leverage to even be a partner or anything like that. So I just said, "You buy it, and I'll move up there and manage it." I had done some work for them and they at least knew that I was honest and hard working. In retrospect, I'm amazed that they hired somebody with no experience. But I said, "Look, I'll take most of that management fee you give me, and I'll hire the best consultants around that I can find." So that's how they had enough confidence to do it. And I did.

Hicke: And who did you hire as consultants?

Hill: The two main guys were Jim Leider, who lives here in the Valley still. Jim was, at one time, the farm advisor here in the county

but by this time was a private consultant and farm manager. His brother, Lloyd Leider, was a professor of viticulture at UC Davis. Jim was a very knowledgeable guy, a very nice guy--definitely one of my most influential people during that period. And there was another fellow named Joe Miami. You know, Joe was your good-ol'-boy Italian farmer, but he had managed a lot of mountain vineyards, and mountain vineyards are a little different than valley-floor vineyards. Joe had managed, among other things in his past, Monta Rosa, which is Martini's hillside vineyard. So he had experience in how to do it on the hills. Jim Leider had that, too, but he had more of a theoretical UC Davis background and so on. Most of what I was getting paid was going to those two.

Hicke: Which vineyard was this?

Hill: This is a property which is called Diamond Mountain Ranch, which is Sterling [Vineyards]'s best Cabernet vineyard.

Hicke: Yes, I've heard about that.

Hill: So that was my first project. We started that in 1974, and I lived up there in Calistoga. In the meantime, I'm continuing this iteration process that I've described, continuing to taste, and study, and read, and try to understand why a given property creates a certain kind of wine, and gradually was getting better at understanding that. By '76, I'd decided that I really wanted to be farther south in the Valley where it's cooler. So I started looking around a lot on Mt. Veeder.

Hicke: Let me back up to Diamond Mountain Ranch. What did you do? Did you plant more grapes? Were there grapes already on it?

Hill: No. Actually, there were some old vines in the forest from the 1800s that were still alive, but they weren't any good--and they were in amongst trees this big around.

Hicke: About a foot and a half in diameter.

Hill: And growing up right where it used to be vineyard. So we cleared it, prepared it, and planted 120 acres, I believe it was, of Cabernet and Chardonnay.

Hicke: On the mountainside?

Hill: It's very steep, very difficult. I look back on it--it's one of the hardest projects I've done. It was only the naivete of youth that would lead me to take on that project as my first project, but, you know--the wine enthusiasm of youth. What the heck. Sleep? Who cares! Let's go.

Hicke: And why did you pick Chardonnay and Cabernet?

Hill: At that time, those were the only two varieties--of the varieties that make the best wines in the world--that had demonstrated already that they were at a very high-quality level in Napa--or at a high-quality level, not as high as today, especially for Chardonnay. And secondly, at that point in the development of the American wine culture, those were the only two wines of interest, really, among the people that were fueling this interest in high-quality wines--sort of the growing wine hobbyists, let's say. In fact, it wasn't until the eighties that first the consumer and then the supplier started really making some interesting wines in other categories, frankly.

Hicke: So were you thinking of making wine? Or did you sell the grapes? What were your goals?

Hill: Well, always my goal was to have great vineyards and make and sell great wine. But it's such a capital-intensive business, especially on the high-quality end, because you have to own all these vineyards and it takes so much time. I never knew, nor did I really worry, about whether I would keep that particular vineyard. It was more like another step along the road in that if I created value, I would know more about how to do it, I would have more of a credential for doing future things, and I would get some kind of piece of the profit and build up my own financial resources over time.

Hicke: But it was primarily grapes? You weren't trying to make the wine, yourself?

Hill: Well, I didn't know. I was going to wait and see if that group wanted to make wine. As it happened, that group wanted to follow the typical rules of those investors in real estate, and about five years later, they wanted to sell it and take their profits and move on to other things. So we sold it to Sterling. In the meantime, I'd already got involved on Mt. Veeder. So there has been a series of properties that I've done over time that have been sold--every one of which, I would be happy to have today and keep forever. But they all served some purpose in taking me further down the road.

Hicke: Is there somebody you worked with, particularly, in this Questor partnership--or in the partnership they formed?

Hill: Not really. Frankly, they were sort of passively involved. Well, probably the most key person there--I may have misinterpreted your question--and the most instrumental in doing this deal with me was a fellow named Gary Bar.

Hicke: And he was a financial--?

Hill: Well, I believe he was the president at Questor. He was sort of the main manager of it, and he since has moved on to other things and lives in Colorado. I'm not sure what all he's involved in now. I've kind of lost track of that, but he was sort of the main interface person. But none of them really lived out very close to it, and I don't think they ever did any vineyards after that either, actually. It wasn't too long after that until that company splintered into a couple of others and people went their separate ways.

Hicke: They didn't come up and offer to stomp on your grapes or anything?

Hill: [laughter] No. Well, you know, Gary and some of the others were very interested, but they were just very busy people, and that wasn't their main business. They had a booming, growing business in other directions, so it was just more a matter of this being a minor sideshow for them.

Hicke: Okay, so you moved up to somewhere near this?

Hill: Yes. I lived just north of Calistoga when all this was going on.

Hicke: Were you married by this time?

Hill: No. Not yet.

Hicke: Okay. When that comes along, let's include that.

Mt. Veeder and the Search for Cooler Climates

Hill: I had decided during that period of time that I wanted to get into cooler climates. So I started looking on Mt. Veeder.

Hicke: Why?

Hill: Very simply put, I felt that most of the wine in general--most of the Cabernet, in particular--was grown in areas that were on the warm side of what was ideal for that variety. They would have benefited being in a cooler environment. That probably, to a much lesser degree, is still true today.

Hicke: And you got that from tasting the wines growing around in this area?

Hill: And growing in France and growing every place else.

Hicke: You hadn't had any wine made out of your grapes by this time?

Hill: No, but I had a lot of wines made by vineyards in that area.

Hicke: Okay.

Hill: So the coolest mountain-top growing region in the Mayacamas is Mt. Veeder. When I say cool, what I'm talking about is during the growing season, not the winter--and more specifically, the end of the growing season, although I didn't understand that until much later. But in the summer months, Mt. Veeder is much cooler than Diamond Mountain. Mt. Veeder, as you may know, is this first mountain here, west of town. So it's sort of the southern-most mountain in that Mayacamas chain, and it looks right out on the bay, so it gets much more maritime influence. So it's cooler, and, as you probably already know, Napa Valley in general is cooler as you go south because of the maritime influence. Once again, that's in the growing season; in the winter, it's the other way around.

Hicke: Does the altitude make any difference?

Hill: Some, but minor compared to the maritime influence.

Hicke: I interrupted what you were just starting to say, because in the winter, the maritime influence works the other way.

Hill: It's the other way around: Calistoga is colder in the winter and hotter in the summer. Anyway, because I wanted a cooler environment to make the Cabernet with a different balance of flavors, then I started looking at Mt. Veeder, which led to a series of several properties we were involved with on Mt. Veeder.

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Hill: By I would say '75, I was starting to decide that I wanted a cooler environment, so I was starting to look around. By '76, I had found a property. In the meantime--this is while I was developing the Diamond Mountain property--by '76, I found a property on Mt. Veeder that already had some acreage planted. In fact, I'd bought grapes from it and had made wine just before we ended up buying the ranch itself. So the first wine I made was 1976 off of Mt. Veeder.

Hicke: And did you buy the grapes with the idea that you wanted to make wine?

Hill: Well, yes. I was working on trying to buy the ranch, but I was trying to find partners and so on.

Hicke: Cabernet?

Hill: It was Cabernet. So we ended up buying that in a partnership, and this time, since I still didn't have any money, but at least I had a credential, I was able to be the co-general partner. There was another fellow who was the general partner and then we had a few limited partners; it was a real private partnership. You see, at Diamond Mountain, I wasn't even a partner. I just said, "You folks do it and buy it. I'll go manage it for you." But this time, at least, I was actually able to become a partner in it.

Hicke: What happens to the partner's investment, like in your Diamond Mountain Ranch? Did they get anything as it went along? Or did they just get their investment back on it?

Hill: Well, they got their investment, plus a profit when it sold, but they hadn't been getting cash, because the vines, as you know, are coming on. At the point we sold it, it was just starting to yield. So, at that point, they would have started to get cash flow, but we sold it just as it was starting to mature. See, Diamond Mountain Ranch was actually part of a bigger partnership that had some other agricultural properties that I had nothing to do with. So they decided to liquidate that whole thing. It had nothing to do really with this partnership.

New Focus on Vineyard Quality

Hill: This is, I think, maybe an interesting historical point. At that time, it was not the conventional wisdom in Napa that the vineyard was the primary determinant of wine quality. The whole question of how to make better and better quality was not only new in itself, but people hadn't focused a lot on it. We were growing out of a commodity orientation, because agriculture--generally speaking--is a commodity-type business. Prices are paid for getting high yields--not whether your almonds are better than the other guy's almonds. The market doesn't pay that, unfortunately. So people were just starting to change, and there were very few people around that adhered to the theory that certain vineyards had a lot higher quality, and so on.

I mentioned André was one that understood that and was something of a mentor, but another one of my friends and associates during that period who was one of the few that

understood that and appreciated hillside vineyards was Ric Forman, who, at that time, was the winemaker at Sterling. Ric was very aware of that. We spent a lot of time talking about ideas. We were both trying to sort that all out. About that time, Peter Newton sold Sterling to Coca-Cola. This would have been about 1977 or something like that. Ric stayed on for a while as winemaker, and that gave him some capital to invest. See, they turned him loose to go buy some vineyards. So, my partnership wanted to sell, Ric wanted to buy, and he was one of the few people in the valley that understood--even though we hadn't produced a grape, yet--that that was going to be a great vineyard. I think that's very interesting.

Hicke: A bright guy.

Hill: He was. And he was definitely ahead of his time on that. So they bought it, and it is, in fact, the best Cabernet vineyard. I'm sure people up there would confirm that. They say that.

Hicke: I've read that.

Hill: Ric bought that without ever having seen a grape. So I give him credit for that.

Hicke: Was anybody else growing a lot of grapes on mountainsides?

Hill: Not very many. Now there are a lot.

Hicke: Now, but at that point?

Hill: Not very many, and the vineyards around tended to be very small.

Veeder Hills Project

Hill: So then I came down here and started this Veeder Hills project in '76.

Hicke: Who were the partners in that?

Hill: There was another general partner, myself, and only about three limited partners, and, frankly, I don't even remember who they were. They were friends of his, and he was a fellow named Ron Wornick. He had been a successful businessman, he had been an executive with Clorox and had some other fruit-drying business in Texas or something. I don't know the details of that.

Hicke: And why did he get interested in your project?

Hill: I don't remember why, but he had already been interested generally in vineyards when I met him, and I must have mentioned to somebody, "Hey, look, I want to buy this property," and somebody must have said, "You ought to talk to Ron Wornick, because I heard he's looking for property." So I went and talked to him, and we ended up becoming partners and doing it.

So we started further developing that over some acres there that were planted already by the previous owners--which fortunately were St. George [rootstock]. And we planted maybe another hundred acres over a seven-year period of time.

Hicke: Cabernet was there?

Hill: What was there was Cabernet, a little bit of what was supposed to have been Pinot Noir--but I think it really, as was common in those days, was mislabeled. It was really Gamay. But that was very small. We pulled it out after a while.

Hicke: Were those old vines?

Hill: No, when we took over, they were maybe five years old, six years old--something like that. So they were just coming to come into production.

Hicke: Why did the former owner sell?

Hill: They had some kind of financial difficulties. I don't really know very much about that. In fact, I think we actually bought it from somebody that had foreclosed on it, as opposed to the person who had planted it. I don't know too much about that background. But I was very enamored with the ranch--and it was a big ranch, over five hundred acres. So it potentially had way over a hundred acres planted--maybe approaching two hundred. So we bought it.

Hicke: I should have been asking you the prices. That would be interesting. Do you remember what you paid per acre?

Hill: I think when we bought Diamond Mountain Ranch, it was probably about \$3000 per plantable acre, maybe. That's per plantable acre, not gross.

Hicke: Okay. Is that how they measured it?

Hill: That's the way I measure it, because on these mountain pieces, you can get something that's 500 acres and only 100 acres are plantable--so it makes no sense to figure your value at 500 acres

because you can only use this small part. So that's the way you've got to figure it.

Hicke: Yes, true.

Hill: The Veeder property was probably a little more than that, but not much. I'd guess maybe \$4000 an acre--something like that. Now it's more like thirty to forty instead of three or four, and that's with no vines on it--nothing. So we started developing that.

Hicke: Did you move now, down here?

Hill: Yes. In fact, I lived on this ranch for a while. I got married, and my son was born there.

Hicke: And your wife? Tell me your wife's name.

Hill: Carolyn. We're not married anymore.

New Partnership with Donald Hess

Hill: We developed that, and then in 1979, my co-general partner and I decided we wanted to go separate ways. At that point, then, I met Donald Hess, and Donald Hess had come over here from Switzerland to look at the mineral water business. He has a very big mineral water business in Europe called Valser Wasser. It's a Swiss business. He lives in Switzerland--his main home's in Switzerland. He has dual-American citizenship. His mother was American, and he wanted to invest in some things over here. He has other business interests over there--a very successful businessman.

He had a very little wine business in Europe. It's a little distribution business which is tiny and more a matter of interest--at least at that point. I think it might have grown since then. But he liked wine. He came over here with a broker to look at some mineral water property up in Calistoga. He decided he didn't want to do it, so he said to this guy, "Well, I don't like that property. I'm not going to do anything on this mineral water thing; but while I'm here anyway, do you know any vineyards that are for sale? My plane doesn't leave here for a while, so do you know anything?" [laughter] I mean, it's literally that kind of thing. So this guy says, "Well, Bill Hill's got this sort of interesting thing going on up on Mt. Veeder. Do you want me to call him and see if he's around?" And they called me up--it was

Saturday morning or something--and my other partner and I decided to split by this time. So they called me up, I said, "Come on down, I'll show you around." We spent the day driving around the ranch, and I explained to him my theories about climate and soil and grape vineyards and this and that. That led to a purchase very shortly thereafter.

Since then, Donald Hess is the fellow that has the Hess Collection [Winery], and he's made a tremendous success out of that winery. His Hess Collection wines are essentially off that property. Donald and I have become very good friends. He's just a charming, very interesting guy. He still accuses me of sucking him into the wine business, because now he's not only big in California, he's involved in Chile and Argentina, and has a half-interest in a winery in South Africa. He's incurably hooked. [laughter]

More on the Development of the Veeder Vineyard

Hicke: You went over the development of the Veeder vineyard pretty fast. What did that involve? You were planting grapes again?

Hill: Well, it was another very steep property, which makes it a very tough engineering job. You're not just laying out a bunch of straight rows. There's a lot of terracing and underground drainage systems and stuff like that--but that's part of what I enjoyed about that. It's a property that's got soil characteristics and climate that certainly have proven to be what I thought they would be, and they produce really good wine--both Cabernet and Chardonnay. We planted both varieties there.

Hicke: Did you harvest any?

Hill: Well, yes, because there were the acres that were already planted when we bought it. So I made wine from that for years before--

Hicke: Oh, did you? You didn't sell the grapes? You used them to make your own wine?

Hill: Right. Plus, then Donald sold fruit for a while, because even after he bought it, he still hadn't made the commitment to build a winery. So I bought fruit from him until the end of the early eighties.

Hicke: To make wine?

Hill: To make wine.

Hicke: Under what label?

Hill: The William Hill label.

Hicke: Okay.

Hill: It was one of my sources for a while. I don't remember exactly what was the last year, but it was into the early eighties.

Robert Mondavi's Influence on Hill

[Interview 2: July 11, 1997] ##

Hicke: I noticed on the notes you made on the outline that you mentioned Robert Mondavi. Maybe you can talk about him as one of your early influences.

Hill: Okay. So, is the question how is he an influence?

Hicke: Yes. Tell me about your relationship with him, or just talk about his importance in your career.

Hill: Well, I think it was both personal--in the sense of talking with him and being advised on certain things--but also just observing him as far as how he conducted himself and what he did. In that category, I think the most important things were his love for wine and all the things related to it and his commitment to quality. He's had his problems along the way, and he's made some good wines and some bad wines, but all along, the enthusiasm that he brought to it and the commitment to quality that he never wavered from was an inspiration to me. And all the things that go with it: his commitment to learning how to do things better and the way he built an organization of people that felt similarly and he gave them the opportunity to pursue that. Then, on a more personal level, he advised me at different times on things to do and things not to do, which were useful.

Hicke: Can you give me an example?

Hill: He had an experience--let's see, this would have been in the sixties when he started Robert Mondavi Winery--in which he had a partner that was a big brewery. So he had--without getting specific--some very useful advice to me about, as you go forward in all this, making sure that you do it in a way that you don't

let your partners get in control of the situation and cause you to deviate from your long-term objectives--in this case, making really good wine. That was useful.

Hicke: Partnerships seem to me a notably difficult way to handle things, and you've been involved in a lot of them. So I suppose any help along those lines would be appreciated.

Hill: Yes. That's right. And I think the main thing in that particular example was just the point of maintaining enough control of the situation that you can keep your eye on the long-term objectives. Because if you have objectives that relate to building a company that makes really good wine, that takes a long time to do. You can't be looking at quarter-to-quarter financial statements; you've got to keep your eye on the long-term objective, and keep your eye on the ball.

Hicke: Yes. And I think that's not the way most of these larger, multi-national corporations normally look at things.

Hill: That's true. That's very true.

Robert Craig

Hicke: I also read in some article that Robert Craig was one of your early partners, and he later went on to become a winemaker, I think.

Hill: Right. He was a partner of mine at the time when we were doing what we called the Veeder Hills project, which subsequently became the Hess Vineyards. Then, after we sold that property, he went off and did some other things. Ultimately, he started making wine on his own. There are a number of people that have worked with me at one point or another that are around various places of the business.

Hicke: Anybody else that stands out that you'd like to mention?

Hill: Oh, gosh. I'd be hesitant to do that because of who I would leave out.

Hicke: I understand.

III WILLIAM HILL WINERY

Use of Others' Winemaking Facilities

Hicke: When did you sell the Veeder property?

Hill: Let's see. That must have been about 1979.

Hicke: But before that, you had started the William Hill Winery?

Hill: Well, I made a little bit of wine in '76, but '78 was really my first significant commercial production. I had some partners who came in with me just on that part of the business--the making of wine--and we made about five thousand cases of '78 Cabernet and a little bit of Chardonnay.

Hicke: Where did you make it?

Hill: Let's see, I'd have to stop and think for a while. The first several vintages in the seventies were all in other people's wineries on what's called a contract crushing basis. The very first vintage, at a very small quantity, was at Stonegate; then there was a whole series. I'll bet I've made wine in at least fifteen wineries in this valley.

I made wine even last year. Even though I have a bonded facility, it didn't have enough room. Last year I made wine in two other wineries besides our own. So I've worked in a lot over the years.

Hicke: It must be interesting to see the different facilities.

Hill: Well, in fact, you asked about partners. My partner on my very first wine, my very first year--the '76, a very small volume--was Tony Soder, who's also now a very prominent winemaker. Then we went different ways, and I bought him out of that. He's had a very good career as a winemaker also.

Hicke: Did you actually act as the winemaker in the late seventies for your label? Or did you have another?

Hill: The answer is yes. I was very definitely involved on a hands-on basis, but I always had other people that were involved, too, whether it was consultants or people working with me that were enologists and involved in winemaking. I think the best way to describe it is: always I've been in the winemaking role, but there have always been others, too--or usually there have been others, too, that had involvement.

Hicke: How did you learn how to make wine?

Hill: Well, it really comes back to something I mentioned earlier. To me, it's been an iteration process based on tasting as the starting point. So tasting wines on an iterative basis over time; learning to identify flavor and aroma characteristics; going back, finding out how those were generated, including how the wine was handled in the cellar; and then doing that as it applies to the wine that I was making. So that's been my approach from the beginning--and, of course, with a lot of reading and some classes and talking to people, but all of it based on the tasting.

Early Vintages

Hicke: Can you tell me about the first wines you made for the William Hill label?

Hill: Well, the first significant one was the '78 Cabernet. Seventy-eight was a very good year for Cabernets, as you may know--in California, anyway--particularly in Napa. That was lucky, because we made a really good wine and got a lot of press and sold it easily. It was one of the better Cabernets from one of the best vintages. It's always helpful in launching a venture if you have something that sort of becomes sought after. So that was a bit of luck that my first significant vintage was such a good year.

Aging Potential of California Cabernets

Hicke: I read an interesting article. I think it might have referred to the '78 vintage, but some later ones did very well in tastings against the Bordeaux wines. But I read an article in which the writer maintains that the Bordeaux wines were meant to age much

longer, and the California wines that are tasted against them are more mature to start with.

Hill: That is a bit of conventional wisdom that you used to hear a lot in the seventies and the early eighties. You don't hear that very much anymore. There's some truth to it, and there was more truth to it back then. I believe I mentioned earlier in our discussion here that in my opinion--especially back then, and now to a lesser degree--that we're growing most varieties in climates that are on the warmer side of what's ideal.

Hicke: In California, you mean?

Hill: Yes. In California. That's shifted, but it's still a little bit the case. It was a lot the case back then in the seventies and the early eighties. Wines made in warmer climates--if they're good ones from good vineyards and made properly--they tend to have big, strong, pronounced flavors--in the case of Cabernets, say, big, rich, ripe flavors of plum and so on--but be perhaps a little out of balance relative to acidity and tannin structures. This is not a perfect analogy by any means, but if you have two clusters of table grapes in your kitchen and they sit there for a while, and one of them started out really ripe and the other ones were just not quite so ripe, the ones that are really ripe will develop and spoil a lot sooner. Well, wine is the same way, and a wine that's aged a long time needs to have a certain balance of a certain type of flavors and a certain balance of components, including good acidity--at least a modest amount of tannin; fairly high alcohol helps, and so on.

Most of the California Cabernet made in the late seventies was not as age-worthy as good Bordeauxs were, and that's valid. But as our industries change--mostly because of changing where vineyards are in the cooler environments and the environments that are more suited to that variety--the nature and the balance of those wines have changed, and there are many California Cabernets now that will age longer than most Bordeauxs. I say most--not all, but most. So that's a bit of conventional wisdom that has gotten outdated.

Back then, I did five different tastings against First-Growth Bordeauxs. And it wasn't just one wine; the first one, I think, was three vintages; and then, subsequently, I think it was four vintages. So we did every vintage. We didn't skip any vintages. It was '78, '79, '80, '81, and then, eventually, the '82 I believe got into it. I don't remember if we got that far, but at least through '81. I did tastings in Washington. Let's see, the first one was in San Francisco, then I did one in Washington, one in Los Angeles, and one I believe in Dallas.

Hicke: Here's one I found. I guess I don't even have a date on this one.

Hill: Yes. This one was at Dallas. So, by this time, I'm using all four vintages. We didn't skip any vintages, so we couldn't say that we were just using good vintages.

By the time I was actually making wine, I'd already started to figure out the theoretical framework I was looking for, and I wanted to get into a cooler climate because of this subject we were just talking about.

Hicke: I think you actually led the way into this change that you were discussing, towards cooler climate.

Hill: Among others. I certainly wasn't the only one doing that, but the whole industry, now, has done that. It's shifted south, and Sonoma has shifted up the Russian River and so on.

But the point is that I was making Cabernet, already, at that time from these cooler environments which did not have a make-up like California Cabernet typically had. This was hillside Cabernet, which resulted in it being very concentrated. It was from a very cool environment, which means it had high acidity and a lot of soft tannins--and just a lot of tannins in general--and a high concentration of everything, and a balance in nature that the wines were sort of austere and closed when they were youthful, but they were classic for aging. So even back then, that [generalization about aging potential] just was not applicable to these wines, and essentially reflected that the people making those comments didn't understand very well how to taste a wine and decide whether it's going to age well. If they had understood that better, they wouldn't have made that comment. They were generalizing from the California experience.

Having said that, the longer I've been in the business, the less I care about how wines age anyway--except for maybe some small quantities of Cabernet, but that's another subject we can come back to.

Tastings of California Cabernets Against Bordeaux

Hill: But these tastings were extremely useful as far as sort of getting us on the map, if you will, because we did everything as scientifically as we could. We took all the vintages I had available. We picked out First Growth Bordeauxs to taste them against. It was done totally blind by hundreds of people. But my

point was never to beat the Bordeauxs, per se. Because I love a great Bordeaux. But, rather, my point was to demonstrate that we were making some wines--and had a potential to make wines in the future--that deserved to be considered in the same category quality-wise--maybe different from them, but comparable in quality.

Well, today, California Cabernet has achieved that status largely, but it hadn't then. In 1981, when I first started selling wine--that was when my '78 vintage was coming to market--I remember very clearly going back to the East Coast and being told time and time again that you can't sell expensive California wine on the East Coast because it's a French market. Well, since then, of course, California has taken control of that market, but that was their conventional wisdom. So my point was simply to say, "Look, we're making some wine that I think you ought to pay attention to; and if you do, I think you'll conclude it deserves to be considered with other great wines of the world." That's what I trying to achieve.

So when we did these tastings, it wasn't that our wines won--although some of them did. Some vintages in certain tastings would be the first choice in the group--in fact, several of them--but it became very clear in the tastings that, number one, the overwhelming majority of the tasters couldn't tell which was the Californian and the French. The people that came to these things were, by selection, a pretty sophisticated group of people: a lot of trade people, a lot of wine merchants, and restaurant people. The others were chosen from lists of wine clubs. So these were way more sophisticated than the average American consumer, and the overwhelming majority of them could not successfully tell which was which. In this particular tasting in Dallas--I had forgotten this, frankly--the group ranking had our '78 in first place, and that is against [Chateau] Latour and [Chateau] Mouton. Our '79 was in first place; and our '80 was in first place; and our '81 was in second place out of three wines--the other two being First Growths. In the others, the results were a little bit more mixed, but we always had at least one or more vintages in first place.

That was very successful, and we got a lot of attention from that in the press. I still have people come up to me today to tell me that they were at our tasting in Washington, Los Angeles, or Beverly Hills. So that was great. I'll probably do it again some time soon. Probably the next time I'll do it is with Pinot Noir and Burgundies--Pinot Noir from the Van Duzer corridor in Oregon. So I think I'll probably be doing something like this before too long with Van Duzer Pinot Noir and Burgundies.

Hicke: Great. That should be interesting.

Effects of Climate and Terroir

Hicke: The climate, that terroir--if you want to call that then--that you're working with is more like that in Bordeaux?

Hill: Well, first of all, the climate's different from terroir. Terroir refers to the whole set of circumstances, including the soil, the climate, humidity--climate broadly defined including humidity, rainfall, as well as heat and so on. I would say that the climates that I've moved to for various varieties--because it varies by varieties, you know--are more similar to the European version where they get the best wines than older regions in California, to be sure. Absolutely. I mean, that's the whole reason I went to Oregon: to make Pinot Noir and sparkling wine and Chardonnay in a more Burgundian style. It's because the climate conditions in this one little area of northwestern Oregon are virtually identical to the Cote d'Or region of Burgundy. Then, within that area, I sought out good soils with the result that the whole terroir is much more similar to the Cote d'Or region of Burgundy than is, say, Carneros or Monterey or Santa Barbara. That's not to say those other areas can't make Pinot Noir, but they make different Pinot Noir.

Selection of Winemaking Facilities

Hicke: Okay, back to the actual evolution of the William Hill label: did you have specific things you were looking for when you chose the facility to make your wines?

Hill: You're talking about during those years when I was working in other people's wineries?

Hicke: Yes.

Hill: Yes, I would say the most important specific thing I was looking for was who would let me in. [laughter]

Hicke: The open door is definitely important.

Hill: The whole concept of having to be a nomadic winemaker is not anything I recommend by any means. It was imposed by necessity. To answer your question more seriously, I tried very hard to find people that were running the winery that had a real quality orientation, and therefore could understand and would try to cooperate in letting me do what I wanted to do. Secondly, where

possible, [I sought facilities] that had the equipment that lent itself to high quality production, like small tanks and various good presses that are gentle, and those kinds of things.

I started from a short list of those that I thought would be my favorite place to do it, but then the trick is always finding the space, because some years are full and some years they've got space, and it's definitely not the recommended way to try to make great world-class wine: working out of other people's facilities.

Hicke: So eventually you decided to build a winery?

Hill: Oh, I always wanted to; I just didn't have the money to.

Hicke: Well, tell me how that worked out.

Hill: How we finally built it?

Hicke: Yes.

Hill: Almost my whole career I've been working out of leased buildings. My first one was an old ice plant, down by where the Napa Valley Wine Train starts there in town. Do you know where the yard is there? Just down one more street, there is an old ice plant--what was an ice plant twenty years ago. I leased that maybe 1980 or something like that, but I still usually did custom fermentation elsewhere because I didn't have all the equipment there--presses and that kind of thing. For example, on the Cabernet I'd ferment it in someone else's winery, and then as soon as it's ready to go in the barrel, I'd take my barrels over there. And I'd have tanks so I could process it from there on out, including bottling.

I worked out of there for quite a while, and then it must have been about 1985 or so, I leased another building, kept that one, and then added another building down in the industrial park south of town. Not too long after that, I dropped the first one and rented a second building in this industrial park. This is just south of the golf course there in that industrial area off of Kaiser Road. Then, following that, I had a third one. So at one point I had three buildings that were all sort of in the same area. In fact, at that point I was making 70,000 cases of wine under the William Hill label still all in these three leased buildings.

Hicke: And did they all come from your vineyards?

Hill: Mostly.

Construction of William Hill Winery

Hill: So I didn't actually build the facility that is now the William Hill winery until 1990. I entered into an arrangement with Allied Lyons, which is a British public company that is now called Allied Domecq, and they're the entity that ultimately, two years later, bought William Hill. The deal with them was actually entered into in 1990, in which they lent me money to expand the business, build a new winery facility on our property off of Atlas Peak Road. It was an arrangement where they lent me money to expand and mature the business, they undertook the selling of the wine, and they had an option to buy it. They ended up buying it in 1992. So that was the first time I ever had a building that we had built that we owned and made wine in.

Hicke: What promoted their interest in California wine?

Hill: Well, one of their three areas of activity already as a company are wine and spirits. They're huge. They are one of the two or three big British companies that are in wine and spirits. So they had a lot of European involvement, and they owned a lot of big brands in spirits that you would recognize: Beefeaters and all the Hiram Walker whiskeys. In fact, by 1990, they already had entered the California wine business, and at that time they already owned Calloway and Clos du Bois. Clos du Bois is in Sonoma County. So now they have Calloway, Clos du Bois, William Hill, and the Atlas Peak winery.

Hicke: Is the Wine Alliance the name of their subsidiary?

Hill: Yes. They're a subsidiary of what is now called Allied Domecq. Back then it was Allied Lyons.

Hicke: Then you oversaw the building yourself? Did you have an architect, no doubt?

Hill: Yes.

Winemaking Philosophy

Hill: Should we go back and make a couple of observations during the eighties?

Hicke: Oh, yes. I didn't want to skip over that.

Hill: I kind of jumped ahead because of the wine building part, but the eighties were really the period in which we built William Hill. It was built on the principle that we wanted to try to produce really high quality wine, and that the most important thing was you had to have great vineyards to make great wines. That was our focus, and while there was a lot that I learned through that period and later--and still a lot of things I'm learning today--more particularly, what is it about a property that determines wine quality? Nevertheless, the general principle proved to be a very valid one for us. So William Hill was very successful during that period. Eighty-one was our first year, really, to sell wine; we sold a few thousand cases. By the end of that decade, we were selling a little over 70,000 cases and this was relatively expensive, because we were sort of the opposite of most wineries, in that most wineries make more less expensive wine, and the higher you go up their quality spectrum, the less the volume. That's the shape of the market, too. But at William Hill, we actually made more reserve wines than we did what we called "silver label," at least until the latter part of that period.

Hicke: Oh, that's interesting.

Hill: Because our theory was to take these estate wines and make reserve, estate-type wines. Then if we had some young vines and we bought some fruit, then we would blend those and make a silver label wine. So most years, during that period, we actually had more reserve than we had silver label; and we only had two varieties: Cabernet and Chardonnay. So it was 72,000 cases at that time, and that was quite a few, given that the average FOB price, which was our price at the winery, was over a hundred dollars a case, and it was very heavily weighted towards high-end wines.

Hicke: About how much of that would be the reserve wine?

Hill: Well, it sort of evolved during that period. The first couple of years, we didn't even make silver label, and by the end, it was about 50 percent silver label, 50 percent reserve.

Hicke: You started out with the high end, though?

Hill: Yes.

Pricing

Hicke: Do you know what it was selling for--how that evolved all through the 1980s?

Hill: Well, the retail price in a shop, for example--not a restaurant, because that varies so much from one restaurant to another--was probably about twelve or fourteen dollars in the early eighties when we started, and it was about eighteen or twenty dollars a bottle by the end of that decade.

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Hicke: You were just saying there weren't very many at that price. How did you decide on that price niche?

Hill: Oh, as far as pricing, I pretty much relied on my associates that were in the selling end of the business. During that period, we built our own internal sales force, and by the latter part of the eighties, we had seven regional managers around the country that lived there--like in New York, Chicago, Washington, Florida, Texas, and two in California. So, let's see, [counts] seven, yes, and other support people in the sales and marketing area. The pricing was really dictated by the market and what they recommended. It wasn't a specific strategy that I came up with and said, "Let's be at eighteen dollars in five years," or anything like that.

Wine Marketing and Changes in Public Taste

Hicke: Were you involved in the marketing, say, traveling and that kind of thing?

Hill: I did a lot of that in the eighties, although my participation on the sales side was pretty specific in the sense that, as I mentioned, we had a good sales team. They were the pros that did everything, and I did a lot of traveling around doing trade luncheons and big dinners. A typical day for me would be to have a luncheon of maybe thirty-five or forty trade people, and then, since I'm in that town anyway, that same night try to--because these things are frequently planned months in advance--have something that's more consumer-oriented, like get together with one of the big wine clubs or wine and food clubs like Les Amis du Vin. We'd try to make it coincide with one of their monthly meetings, and have maybe two or three hundred people there at

those consumer-oriented ones. So that would be sort of a typical day.

Over those years I did a lot of traveling, and it wasn't just to Chicago and New York, either. I mean, it was to Birmingham and Kansas City. There aren't many cities over 100,000 in this country that I haven't been to at one time or another. [laughter]

Hicke: Did you notice different reactions in different parts of the country? I mean, certainly the East Coast people would be more knowledgeable than those in the Midwest, and that sort of thing?

Hill: Well, I would say it has shifted as you go through time, but if you take the period in which I was starting to sell in '81 and '82, first of all, the wine consumption was heavily weighted towards the two coasts--or you could actually even say the Northeast and the West Coast. Especially for high quality wine, it was even more weighted to those two areas. The middle part of the country was just barely starting to become aware of all of that and to incorporate it into their culture. Another thing that was true back then was that the Northeast--which I would, for these purposes, define as Washington, D.C. up through Boston and all the cities in between there--was much more European-oriented. So that was sort of the starting point in the early eighties.

I mentioned earlier how I was told by trade people in that period that "You can't sell significant volumes of expensive California wine back there, this is a French market." As we've come through time, the regional differences in this country have just blurred enormously. I mean, you don't go to Dallas and hear Texas accents anymore, necessarily. [laughter] The people you're interfacing with are kind of Californian. You have to ask to know where they came from, because they're from all over. People are so much more marbled, and our culture and our economy are so much more marbled. Of course there's been this whole phenomenon of growth in interest in food and wine and maturation as a culture. So, generally speaking, that aspect of wine interest is everywhere now. Wine knowledge is much more uniform, and then, of course, California wines and, more recently, Oregon wines are accepted in the Northeast as being among the best in the world. So that's been the shift, I would say.

Well, I guess the other thing is the proportion of the population that has at least some exposure to and interest in wine is a much higher proportion of the population than it used to be--everywhere, even in California.

Hicke: What kinds of questions would people ask you?

Hill: In the early days back then?

Hicke: Yes. I mean, were they interested in the wine? Were they interested in you?

Hill: That's testing my memory, but-- [laughter] I would say that one thing that sort of stands out is that they were always interested in the personal side of it. I mean, I would be up there talking about the grape vineyards and the soil and the climate and how we make the wine, and I would very frequently get questions about who the people are, because I would tend to leave that out a little bit. I think in the wine business it's different than most products. I mean, when somebody buys a tape recorder, I don't think they really think about "Who are the people who made this tape recorder?" But when they buy wine or when they buy a painting, they think about "Who are the people that crafted this?" So, as a result, at these affairs, a lot of questions are about who was involved and what's the life like. And then there are always questions like this one about aging. I used to get a lot in those early days, but those things have shifted over time.

Hicke: Do you still travel, and, if so, what's it like now as compared to then?

Hill: Well, I haven't traveled much since 1992. I should say, I haven't traveled much selling wine since '92, because that was the year I sold William Hill winery, and I've been making wine since then and had brands, but the volume has been very small until recently. Now, this last year when we formed the new company and I put these evolving brands together and we bought Parducci--now we're making over 400,000 cases of wine. In this first year, I haven't traveled very much yet selling wine because, one, I was very busy the first year getting the company sort of organized. Secondly, the new wines that we made--namely the '96 vintage--haven't started coming out yet, but they will by this fall. As those come out, then it's much more effective for me to travel, because I'm talking about wines that we made. So I will probably travel six or eight weeks a year, at least, for the foreseeable future, on what you might call selling wine, telling our story.

Hicke: I think it's interesting that people are interested in the personal end of the business, too.

So is there anything more about the eighties, now, that we should cover?

Hill: I think the main thing that came out is that I became certainly convinced with experience that we were on the right track as far as building on the foundation of trying to understand great

vineyards--that if you have a strategy of making very high-quality wine, that the first thing you have to understand are climates and soils and source your fruit from that. Also during that period of time, I think I started to get some grasp of what it takes to sell wine, particularly expensive wine, which is a niche. Those were the main things.

Vineyards

Hicke: You haven't talked about your vineyards. What vineyards did you have?

Hill: We have done a series of projects since that first Diamond Mountain project. As I may have mentioned earlier, we sold some along the way, not because they weren't high quality, but because maybe when I had an opportunity to buy a property that I thought would make a great vineyard, then I had to look around and see who's available to put money into helping me do this. Well, I just took what was available. It's better to do it that way than not do it at all. So we would develop them and sell them, and, each time we did, then I'd take my share of it and have a little bit more to work with and so on.

So we started with that Diamond Mountain project; our second one was the vineyard on Mt. Veeder that I mentioned became the Hess Collection Estate Vineyard. Then we did another vineyard on Mt. Veeder, which I had for a number of years on the north side of Mt. Veeder that we called Veeder Peak. It was a great Cabernet vineyard. That's next to what is now the Chateau Potelle; it's contiguous to their property.

The next in sequence, which we actually started in 1980, was the property around what is now the William Hill Winery. We called that the Silverado Vineyard. Actually, that was kind of an interesting project, now that I stop and think about it, as far as significant things that happened during the eighties, in the sense that that property had been looked at by numerous people in the past and judged not to be suitable for planting grapes. Now, this is the early eighties, so keep in mind at that point we were still very young as a wine culture, and our effort to make really high-quality, world-class wine was a very new thing that had evolved during the seventies. So the level of knowledge was mixed. Up until that time, most farmers had done what makes sense for farming most crops: that is, if they were going to plant grapes, they preferred to do it on this nice, rich, bottom-land soil, where the vines grow quickly and vigorously.

Hicke: And produce a lot of grapes.

Hill: They produce a lot, and so on. I think we may have already talked about that.

Hicke: Not very much.

Hill: But under those conditions, that doesn't mean that they aren't good vineyards from the point of view of profitability, but you can't make great wine from those kind of vineyards. Then, as we grew in our sophistication--"we" being the industry--gradually people understood more and more. They actually started understanding climates first, so they started looking for cooler areas. Then later, it wasn't really until the mid-eighties, when many people also starting looking not just for climates that were more well suited, but started looking for soils that followed the pattern that hundreds of years of experience in Europe had proven make the best wine: which usually is coarse, rocky, gravelly soil on benchlands or hillsides. Generally speaking, the climate determines the balance of the flavors--which components in the wine are more or less prevalent--and the soils mostly determine the level of concentration of the flavors. So, up until the eighties, farmers didn't focus on that a lot. In fact, usually the growing decision was made because they already owned the piece of land and the grape business was good, so they took out the prune trees and they put in grapes. There weren't too many people going around trying to figure out where to do it. I mentioned Ric Forman was kind of an exception and a valued colleague who kept me from feeling so lonely back in those early days, [laughter] because he was.

Silverado Vineyard

Hill: So, in any case, I spent a lot of time looking at the hills and the benchlands. This property that became the Silverado Vineyard, which is the one that is around the William Hill Winery now, and the only vineyard property they bought when they bought William Hill Winery, because it's the one that the winery building itself was on--when I first was looking at that, it was pasture and had been used by cattle. It had been looked at by other people in the past who deemed it as not being suitable for grapes, because it was this consolidated, hardpan soil--it wasn't nice, loamy soil--it was gravel and cobbles. It appeared to have been like an old lake bottom, maybe. I don't think it was a sea bottom, because I didn't find any shells in it, but maybe a lake bottom, or maybe a big meandering river bed, or something which was very ancient and

had been compacted with the sands and the clays and the loams and the rocks and so on into this hardpan.

Almost ten years earlier, when I'd been trying to get into business, you may recall that in order just to get myself a credential and a little experience before I moved to Napa, I did consulting on several different crops. I had an opportunity during that period of the seventies to observe some things that were going on down in the Central Valley in which farmers for other crops than grapes--mostly this was for orchards--were starting to go up into the foothills and get into some of these very tough, hardpan soils. They would come in with these huge, massive tractors and rip this soil up, and just break this rock and stuff up until it was gravelly, and then they would come in and plant almonds or whatever they were doing. I had observed the use of these huge tractors.

So when I saw the Silverado property, then, I could see from the profile that it looked like if they were just broken up, it would be great, great soil--all these cobbles and pebbles and coarseness and so. But it was cemented and water couldn't get through it and roots couldn't get through it.

Hicke: Was it hilly?

Hill: It was sort of rolling topography. It's at the base of Atlas Peak, right where it's starting to go up. It's on the other side of the trail, right sort of at the foot of Atlas Peak.

So I brought in a D-9, which was the biggest of Caterpillars at that time, and we tried to rip it and we couldn't rip it. So I brought in a second D-9. Ripping, by the way--you probably know this--but ripping is when you have a single deep plow that goes down. I wanted to rip it to at least six feet, because I figured that if I could get enough power, I'd break this up the way I'd seen them do it in the Central Valley. So we had a D-9 Caterpillar with this six-foot shank on the back, and then another D-9 Caterpillar pushing it. It was in tandem like that, and we were able to rip this place up. Once this stuff was broken up and was exposed to the oxygen and water for a couple of years, it just dissolved and just became this great grape soil. So that, then, was the first time I did that. And it was very successful, it was a great vineyard.

Hicke: How many acres did you do this to?

Hill: About a hundred, a little over a hundred.

Foss Valley Ranch

Hill: Then, about a year and a half after I was into that project, I found a property up on top of Atlas Peak, which is the area called Foss Valley. We used to call it Foss Valley Ranch. That is now the vineyards that are known as Atlas Peak, and, in fact, the vineyards are now owned by Piero Antinori of Italy, one of the biggest names in quality wine in Italy. He's sort of like the Robert Mondavi of Italy, in that he has fairly big volume and, yet, he's very quality-oriented.

Hicke: Innovative, too.

Hill: Yes, very, and just a tremendous guy--just a real gentleman. But, in any case, I found a ranch up there that again was deemed by some previous studies of other wineries around here not to be plantable. I'll never forget that, because I saw these reports. This was a huge place. It was 1200 acres, of which I figured--eventually, after I looked into it--that up to 600 would be plantable, which in Napa, you know, is a huge holding.

Hicke: Oh, yes.

Hill: So I looked at that, and these reports essentially said it's not useable because, one, you don't have water; and, two, the soil is too hard in places and has big boulders in it. But I knew that on those mountains you get like forty inches of rain. Now, keep in mind that before 1975, when people went up in the hills, they usually dry farmed. They didn't have the big equipment to build lakes up there for drip irrigation, and, frankly, the market wouldn't pay for that anyway, back in those days. But we started right off the bat building reservoirs.

Every time we built lakes. When I did Diamond Mountain Ranch we built lakes; when we did Veeder Hills we built lakes. We just come in and built lakes in these places, because we do have the tractors now that can do that. Twenty years ago, thirty years ago or longer, it wasn't economic to build reservoirs. So I looked at this and I said, "Wait a minute. I know on this mountain you get over forty inches of rain a year," because the rain is accelerated when the clouds go over the mountains. "So you've got the water; you've just got to build a lake and catch it. Secondly, I think these D-9s can rip this thing, and pop these big boulders out and push them out of the way and we'll have good soil."

We bought that, and that was where, then, also there was a big jump in our activity. Then I had this little winemaking business with a few partners that made wine, and then I had partners in

several different vineyards, including the one by the William Hill Winery that I called Silverado. That led, then, to merging all that into one company, which became William Hill Wine Company. It now had a vineyard on Mt. Veeder, the vineyard down here--the Silverado Vineyard on Hardman Avenue--this big property, which we bought to raise new money from new partners and increase the volume of production of William Hill Wine. That all occurred in 1981.

As far as the development of it, I learned that Caterpillar now made a much bigger tractor called a D-11. Actually, that was a D-10, but it was two and a half times bigger in weight than D-9s were. It was just huge, and the only way they could get it up to Atlas Peak was to disassemble it. They had to take out the blade and the track and put it on separate trucks and move it up. And still, what was left of the tractor was so big it had to have a truck pushing and a truck pulling to get it up the hill.

Hicke: Were there roads up there?

Hill: Oh, yes, but if you've ever been up to Atlas Peak, it's a steep, windy road. But we got it up, we built the property.

Financing Troubles

Hill: We started the development in '81, and then about 1984--we were about three or four years into the project--there was a period which you may or may not remember that the banking industry in this country was in deep, deep trouble--mostly because the energy market fell apart, and they had a lot of loans to the petroleum industry, and, secondly, loans to underdeveloped countries. Those crises happened at the same time, and there were a lot of banks, including Bank of America, for example, that just almost went out of business. And Bank of America was my development lender. They were in deep trouble. Since then, of course, they've come out of it and they're just doing gangbusters, but at that point, they were taking various survival measures.

One of those was that they just pulled out of the wine business. They just pulled the plug on virtually everybody. They probably still lent to Heublein if they wanted it [laughs], but all the rest of us got our loans called. And this project wasn't complete enough, yet, for me to get replacement financing, so that forced us to sell it. Fortunately, the project was going really well, so we sold it at a nice profit. That's when we sold that project, and that would have been about '85 or maybe '86, to a

partnership consisting of Piero Antinori and the Bizot family that owns the family Bollinger champagne house in Champagne, France. The third partner was a company called Whitbread, which was a publicly traded British company. I think their main business was beer and spirits and so on.

They were partners owning that, and they continued to develop it. Just to take that property a little further down the road: interestingly enough, then, in 1990, at the same time we were signing the agreement with Allied Lyons from William Hill, they sort of inherited that property by virtue of the fact that Allied Lyons bought most of the wine and spirits portfolio from Whitbread. So now Allied Lyons was partners with the Bizot family and Piero Antinori. Shortly after that, the Bizot family wanted out, so they got bought out, and a couple of years ago they separated further in that Piero Antinori bought the land and leased it back to them. Now the Allied Domecq, through their Wine Alliance subsidiary, leases that property. So the Wine Alliance owns the Atlas Peak brand that you see in the stores now, and they operate the property, but Piero Antinori still owns the land.

Hicke: Kind of a convoluted story, isn't it?

Hill: Yes.

Hicke: But very interesting.

Hill: So one of the things there that evolved during the eighties during those two experiences was that I learned to use these big tractors to come in and develop what had been considered to be unplantable property and turn them into property that is actually very well-suited for vineyards: rocky, well-drained soils.

Hicke: Yes. I always remember there's some winery in Bordeaux--I can't remember exactly what its name is--but the name of it translated means "pebbles," as in beautiful pebbles. [Ducru-Beaucaillou]

Hill: There's the whole area where the Sauternes come from, and also dry white Sauvignon Blanc and Semillon wine. It's called Graves. It doesn't literally translate to gravel--more like cobbles, I would say, would be the most accurate translation of graves. That whole area is called that.

Hicke: So by 1990 you had sold the Foss Valley and you had left the Silverado Vineyard?

Hill: Yes. By the way, on that last thing, just one observation is that because of all this, the ranch that I currently live on, and hopefully always will live on, is also on the base of Atlas Peak,

contiguous to that Silverado property I did. Two weeks ago, the D-11 just moved up. D-11 is now the next notch up from the D-10, and they just left two weeks ago from their latest job on that ranch. It's a similar situation--breaking up this hardpan and creating this great vineyard ground out of it, because that's my home place. I've decided that I'm going to name that ranch "Broken Rock Ranch." [laughter]

Hicke: Oh, that's excellent. I like that.

Other Vineyard Properties

Hill: I left out, really, one area, I guess. During the eighties also, then, I developed these relationships with this growing circle of people that were interested in investing in vineyards. Even though William Hill Wine Company now had a vineyard on Mt. Veeder and two vineyards on Atlas Peak, there were also, during the eighties, five or six other vineyard properties that we acquired outside of that company--each it's own separate partnership to acquire, develop, and operate as a vineyard various properties. They ranged from 400 acres in Carneros, which we still have today.

Hicke: Is that the Big Horn?

Hill: Yes, what is now the source of the Big Horn wines. We have a really good Cabernet property on the east side of town that's in a partnership called Kruese Creek Vineyard. We had brought a 400-acre property in Sonoma on the south slope of Sonoma Mountain. We bought 1400 acres in Anderson Valley in Mendocino, and we bought two ranches in Oregon--one in a partnership and one that I bought personally, together with John Mayes, my partner here. We just bought it individually without other outside partners.

Hicke: Is that the Van Duzer?

Hill: No, neither of them is developed yet.

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Hicke: So you were already looking around in Oregon?

Hill: Yes. So William Hill Winery then had those three properties: two on Atlas Peak and one on Mt. Veeder. Then we had these other projects--two in Napa, one in Sonoma, one in Mendocino, and two in Oregon--that we had bought in the eighties. Now, the way these investors came in on these--it had just grown word of mouth in the

sense that we would do something, then somebody else would say, "Well, I see what you've done here, and next time you do one, let me know." And so on. That circle grew, in other words, without wisdom by design. It just sort of grew by contact and word-of-mouth. Most of the people that were raising the money there were people that were, to one degree or another, involved with real estate syndication and partnerships and so on.

For reasons that have nothing to do with the wine business, that whole so-called real estate syndication business just disappeared in the eighties. Economics changed and tax laws changed; they just went away. So two of the companies that I had bought the land with went out of business before we had even got them developed. So I had in my portfolio properties that weren't part of William Hill, then. They ranged from properties like Carneros and Kreuse Creek that were fully developed to other properties that hadn't had anything, and then a couple that had some in-between work done but were not finished. So, at the end of the eighties, then, we were sitting there with this portfolio of properties--all of which to one degree or another we felt would make great world-class wine, and we had the properties under William Hill. This was coming into 1990.

William Hill Wines Made in Oregon

Hill: I would say the other really significant thing in the eighties was that I was gradually, methodically coming to understand climates and soils a little better, and had concluded that, in the case of two other wines that I was interested in making--Pinot Noir and sparkling wine--that the best place to do it--for those two wines--was in Oregon. This was an effort that I spent ten years trying to figure out--once again, from tasting wines and then talking and reading and looking at places all up and down the coast. Two of those ranches that we acquired during that period, as I mentioned, were in Oregon. We also started, then, making a small amount of wine with the '89 vintage in Oregon under what became the Van Duzer label.

Sale of Winery to Allied Lyons

Hill: So that brings us back to the point, then, where in 1990 we signed the contracts with Allied Lyons, which led to them purchasing

William Hill in '92. Do you want me to tell you a little bit about how that evolved?

Hicke: Oh, definitely.

Hill: Well, it was a very mixed experience for me. First of all, it had never been my plan to sell the William Hill name. That was the bitter part of the whole thing. It was more a case of not being able to foresee the future, and with the benefit of hindsight, I would have done somethings differently. Like I wouldn't have used my name on that label until I got far enough down the road to have better control of what the future was.

Hicke: Awful to lose your name.

Hill: Yes. But during that period, we raised a lot of money from different people, and I was by this time a significant partner but still a minority partner. I owned more of William Hill than any other individual, but I was still in a minority position. The brand had been successful, but it was time. It was a partnership, and these people didn't have any way to get out. It wasn't like a traded share--a stock or something that they could go sell--and it was time to deliver to these people that had invested. They had stuck with me for a long time. Earlier, I had hoped that when we got to that point, that the circumstances would allow me to have other alternatives to just selling out. The possibilities that I'd hoped would arise included that the businesses were far enough along to be able to borrow money and buy those partners out. Another possibility was to buy back some of their shares--enough to keep control--and sell the remaining portion to the public, like Mondavi has done recently, where the Mondavi family controls the winery, but a minority position is publicly traded.

So I'd hoped to do something like that, but the late eighties were a time in which that just wasn't possible because we were sort of at the tail-end of the period in which alcohol consumption, in general, had diminished, and wine sales had been going down for a while, and even at the high-quality end they'd sort of flattened. There was that period in the mid-eighties in which there was a lot of focus on the problems of drunk driving, and getting that under control, and health issues, and so on. A lot of that was very good stuff; it was good that we, as a culture, recalibrated ourselves and so on, but in any case, it was a tough time for the wine business. Also, the economy was up and down; the financial community was such that there wasn't money available from banks for the wine business.

So, to make a long story short, it was not a good time to try to borrow and buy people out. It wasn't available, and it wasn't

a time you could take a winery public. Everybody was fairly pessimistic about the industry at that time. My personal feeling was that those were things that we would work our way through, and that nothing had changed about the long-term outlook of the business--but that was my personal feeling, not the conventional wisdom. The conventional wisdom was that it was not a good business to invest in. So, the only avenue I had left during that period of time was to sell. So that's how that arose.

The sale actually was consummated in 1992. As it turned out, what they bought was the brand, the William Hill Wine business, plus the new winery building we had built over on Atlas Peak Road. The only vineyard property they bought was the one that the winery sits on, which is the one that I referred to as Silverado: the first one I used the D-9s on. They did not buy any of the other vineyards. So then, when the smoke cleared on that in 1992, I still had the small Van Duzer business and I had a little bit of Cabernet in the pipeline in what became the Clos Fontaine Cabernet line--but very small volume. But mostly I had all these properties. I had three ranches in Napa, one in Sonoma, one in Mendocino, and two in Oregon. As I mentioned earlier, some of those were developed and others not developed at all.

IV NEW DIRECTIONS

Hill: Between 1992 and 1994, my business was to continue to develop these small brands--the Van Duzer business with purchased fruit and Clos Fontaine for Napa Cabernet--and to run these various projects that we had. I was really trying to decide what I wanted to do. For simplicity's sake and brevity's sake, I'll say that my decision process I was going through was really, "There are sort of two different directions I can go, here. I can spend ten years trying to develop new financing sources and new partners and take all these great properties and develop them into wine estates and have this fairly significantly sized company, but one which, unlike most large wine companies, is based on great wine estates, and therefore most of the wine is real high quality." Which, from a professional challenge point of view, on the winemaking side, was very interesting, but I didn't see how to go about it. You'd be talking \$100 million, or \$50 million if you just did some of them and so on. I wasn't sure I wanted to pay the price at that point in my life of working so hard to develop new sources, but I was thinking about that approach.

The other approach I was thinking about was, "Okay, why don't I just sell those off, take my share out of each of them, keep this ranch that I have called Soda Canyon--the one I'm renaming Broken Rock Ranch, the one that I own just by myself with no partners--it's a 240-acre piece over at the foot of Atlas Peak--and just plow that back in, develop this little wine estate, no partners, and make a limited amount of very high-quality wine and have more private lifestyle and play more golf and spend more time with my kids and so on." That was a very attractive alternative.

Impact of Globalization on Wine Market

Hill: So from '92 to '94, I'm kind of trying to weigh these, because during that period of time, the market was just starting to turn.

Some of the things that happened in the late eighties and into the early nineties, you could sort of see that they probably ought to have an impact, but there was a lag effect. They all started kicking in at that time. I mean, you almost have to go back to the macro view and say that things like the decline and fall of socialism around the world resulted in not only the opening up of many economies and the further globalization of the world economy, but also less money had to be diverted into defense, which in turn could be channelled back into the economy. All these things were happening which made the world economic outlook look much better than it had ever looked in the history of man, I guess. Secondly, this would be further fuel to accelerate the globalization of the world economy, which meant that, all of the sudden, instead of thinking about selling wine to North America, you could start thinking about selling wine to at least the affluent portions of Japan and, eventually, China, and every place else, because the world is becoming one big marketplace. So this affluent entrepreneur in Bangkok wears Italian suits and drives German cars and drinks French and California wine. All of the sudden, this is new; this is happening. In a person's life it may drag kind of slowly, but with the change in the world, it was so huge.

On top of those general things that would have caused the wine business to go up anyway, there started emerging all this research about all these health benefits of moderate consumption of wine. Those things together made wine consumption just [makes whooshing sound] start going like this.

Internationalization is significant, because, remember, wine is different than most products. If the Japanese start liking fine wine, they're on the wrong side of the continent, climate-wise. They can't make it there. So if they want it, they have got to either buy it from us or they have got to come over here and set up their own wineries, and they've done both. I'm just using them as an example. So if you have a product that can only be made in certain areas of the world, then there has to be systems to get it around. So if you want Maine lobsters, you've got to go to Maine, and so on. If you want soft shell crabs, you've got to go to Chesapeake Bay. If you want great Cabernet from America, you've got to come to California.

All this is happening. So, actually by 1994, I'm starting to get more optimistic. Because of all these things--Mondavi goes public, the financial community starts paying attention to the wine business, the lenders are coming calling on us wanting to give us money--I'm thinking, "Well, gee, maybe it's not so far-fetched to keep at least a few of these properties and create wine estates out of them. So by 1994, that's what I was trying to do.

I decided by at least late '94 that what I was at least going to take a shot at was to see if I could put together an acceptable group of partners and incorporate several of these vineyards or undeveloped properties that had a potential to make great wine, develop them, and operate them under one umbrella company. So I'd have Oregon Pinot Noir and Napa Valley Cabernet and Anderson Valley Merlot and Mendocino and so on--and have enough size to be a little less vulnerable than a little winery, but still have a fine wine focus. Because most of the fine wine is still made by very small companies, and most of the big wine companies don't make very much fine wine. So that's what I set out to do by late '94.

New Financing

Hill: In '95, then, I spent almost the whole year working with various firms on Wall Street like First Boston Corporation, a little bit with Morgan Stanley and Goldman Sachs; but after a while it came down to mostly First Boston, the investment banking part of that company. They were working with me to try to put together mostly institutionally funded investors, like pension funds and so on, that would invest in this thing.

We spent a lot of time, and we never could quite get it together. We had lots of meetings and I spent a lot of time traveling and so on, but we couldn't quite get it together--primarily because most of those companies had a relatively short time horizon. They wanted to invest in something, and they wanted to be out in three years. The question was how did they get out? They always have to have an exit strategy. And that's a little inconsistent with me, because my objective was to build this company and be there forever, and pass it on to somebody when I'm too old to do it anymore. So we couldn't quite get that together, really, because of that one problem.

In the meantime--and this is significant--I realized that one problem with attracting capital to do this was that it takes so long to create a wine estate. If you start with undeveloped property, it's three or four years before you get a very decent-sized crop, but then the vines are too young to make really good wine. So you don't start making really good wine until they're six or seven years old. Then, if you make a wine and you age it, say, a year and a half at least with Chardonnay--three years, maybe with Cabernet--you're talking about a decade from when you started to when you demonstrate that it worked. So even if the

rate of return is okay, these people don't have that kind of patience.

So I said, "Okay, I've got these wine estates that I want to create, but to make this business opportunity be of a nature that I can attract the capital, I'm going to have to buy some existing, sizeable wine company that's already profitable to be sort of the foundation, and then build these things on top of it, so that right from the beginning, this business is at least modestly profitable. Ten years from now, it's going to be much more heavily weighted towards these high-quality wine estates, but in the meantime, this sort of carries it. If I do that, then maybe I can get these people to bring in the capital to do it.

Purchase of Parducci Wine Cellars

Hill: This realization evolved before we even started the effort with First Boston. I knew that. So we spent a lot of time looking at wineries for sale, from, say, '93 up until last year, and during that period, I looked at a lot of things, from Southern California through Washington. Parducci [Wine Cellars] emerged as the clear favorite. It had so much going for it. Parducci had been in Mendocino for thirty-plus years as a wine producing entity. The Parducci family had sold it in the early seventies to an investment partnership, and this investment partnership wanted out. The partners were feuding with each other. But the things in addition to that that attracted me were that they had been always sort of just this value winery. They just got all their wine every year and threw it in a big pot, made darn good wine, and sold it at a cheap price. They had been successful and they had grown to a 300,000-case winery during that period of time.

Hicke: I remember John Parducci told me that he thought their wines were good, but they could sell them at such a reasonable cost because he had built the winery himself, he had bought the vineyards decades ago, and he didn't have all this money invested.

Hill: Yes. That was sort of their approach, and for their time, that was a good approach. The vineyards that they owned, which totaled about 300 acres, still only represented about 20 percent of their volume. So 80 percent was from purchased fruit. And they had all these long-standing relationships with all these Mendocino growers that had these great vineyards, but Mendocino had been sort of overlooked, and it wasn't given the attention that Napa and Sonoma were, so they were just like commodity growers. Everybody got the same price for Cabernet. It wasn't this guy gets more because his

is really good, and this one not so much--which had become the case in Napa and Sonoma--they were just sort of a commodity business. So there weren't really incentives to do anything except get the biggest crop they could get. That was sort of the nature of Mendocino business.

That's starting to change rapidly, but you didn't have a lot of these little quality-oriented wineries. There were two big shows in town: there was Fetzer [Winery] and Parducci. Then there was Mondavi buying bulk, taking it out. They bought a lot of wine out of there. A lot of people don't realize that a lot of Mondavi wines had a lot of Mendocino fruit in them--even the ones labeled Napa, because you can have up to 25 percent.

So the second thing about them was that they had all this great fruit that I thought was capable of making much, much higher quality wine than they had so far done--which was my niche, you know. There's nothing wrong with doing what they were doing--although, actually, in today's market, I don't think it works too well.

Also during this investment partnership, they had built a good winery. It was state of the art stainless processing equipment, sanitation systems and so on. The only problem, really, is that it's the big batch processing. The smallest fermenter they've got is fifty tons. You have to have at least fifty tons of fruit per batch for fermentation. I mean, that's really big. That's 3000 cases. There are wineries in Napa whose whole production for the year would be that one tank at once. That's something we're changing. We're changing the equipment to be more quality-oriented.

In any case, what we had was a good facility, a great supply base of vineyards that could make wine every bit as good as the best wineries in Napa and Sonoma. They had motivated sellers, so the price was in line with what was there. You weren't paying some kind of premium to somebody that really didn't want to get out. I would focus on that, and, "Boy, that's the one I want, because I can do what I do, or what we as a team can do: over a couple of years, we can take this quality way upstream. Then, after we've done that, we can charge a little bit more money and it would be a nice deal and I'll carry this, in the meantime, over the years I'll develop my wine estates, and then ten years from now, not only will these wine estates be high-quality wines, but Parducci itself will be well up to quality stature." So that's the one I wanted to buy.

Formation of Hill & Thoma Wines

Hill: In early '96, then, I was still talking to a couple of these investment venture capital funds, and still trying to put this together, because it was such an attractive situation. But I was still having trouble getting over this "How long are you going to stay here?" problem, and I met Carl Thoma. Carl Thoma is a very successful venture capitalist from Chicago; he lives in Chicago, he actually is from Oklahoma, as I am, but I didn't know him from there. He actually went to Stanford Business School, too, like I did, but I didn't know him from there, either. I just met him in a couple of tastings in passing, but, frankly, if he'd walked past me, I'm not sure I would have even recognized him or maybe vice versa. But, in any case, he had gotten increasingly interested in the wine business. In fact, by the time I met him, he had already bought a second home, a summer home, up by St. Helena. He has a home up off of Zinfandel Lane and a couple of vineyards here in Napa.

So he was looking around for other things he might do in the wine business, just because he loved it more than anything else. We were introduced by somebody and we started talking. I said, "Here's what I'm trying to do," and so on. And I ended up creating an agreement with him to form what became Hill & Thoma Wines. Essentially, the way that developed was that I showed him my business plan. We took some of the properties--we couldn't take everything, because we decided that we wanted to keep this private. That's how we got around this timing thing: Carl and I own the voting shares fifty-fifty and there are some small amount of non-voting shares owned by John Mayes and a couple of the other people. But we had no outside investors, in other words--none of these venture funds or anything like that. The significance of that is that we both have a very long-term view of things, and we'll see how it works out after we've lived with each other a while.

Hicke: When was this formed? In '96?

Hill: Yes. Eleven months ago is when the deal was actually signed. When we started talking was in maybe April of '96. So a little over a year ago. By June, we had decided to do it. I'd also arranged and had great support from Prudential for long-term financing, and from Silicon Valley Bank for the inventory financing. They were really supportive in helping put the deal together to purchase Parducci. So, what ended up happening then, is I contributed a lot of assets and some companies like the Van Duzer wine business, and my Napa Cabernet business, a couple of ranches, like 500 acres in Oregon and part of this ranch out here

where I live. I kept part of it so that my house wouldn't be in the company, but the ranch I put in it. He contributed capital, and together with the borrowed capital from those other two sources, we started Hill & Thoma Wines, and we bought Parducci for \$19.5 million, I think it was, and away we went.

So now we have this company--Hill & Thoma Wines--and that's not a wine brand, that's the name of the company. The brands are Carneros Big Horn Chardonnay and Clos Fontaine Cabernet. I think we're going to start making a Cabernet also under the Big Horn name. I think the way it's going to work is that Big Horn is going to become the name of our Napa operation. So it will be Big Horn Winery, and we'll have Carneros Chardonnay and so on.

So we have Big Horn here in Napa. We have Parducci in Mendocino. We have a new brand we started in Mendocino called Sable Canyon. We have Van Duzer in Oregon; and we have vineyard properties then in Oregon and in Mendocino and here. Then, more recently, towards the end of last year, we formed MorningStar as a brand, under which we make Chilean wine. So we have Morning Star, Van Duzer, Big Horn, Sable Canyon, and Parducci.

Hicke: That's pretty impressive!

Hill: And that sort of brings you up to the present.

Hicke: I see why you're so busy. Let me ask a couple of questions about this. Going back to the vineyards, do you have special goals or requirements in vineyard management, like in spacing and trellising and that sort of thing?

Hill: By that, you mean things that I like to do because they are favorable as far as what we're trying to do?

Hicke: Yes.

Hill: Yes, definitely. Can we take a quick break for a second?

Hicke: Sure. [tape interruption] #

Trends and Changes in the Wine Industry

Hicke: We are going to rephrase this question. Why don't you just tell me what you just said that you were going to talk about?

Hill: Well, we were just commenting some on what the most significant trends and changes have been over the past ten or fifteen years in the business and then sort of where it's going. First of all, I think I'll focus my comments here on the high-quality end of the wine business, primarily because that's the segment that we compete in. Also, that will give us enough focus to have a little bit of brevity, because the wine business is very segmented. What's happening in the four-dollar retail bottle might be very different from what's happening at the high end and so on.

Changes in the American Wine Consumer and Consumer Demand

Hill: But if you look back, really, over the period I've been in the business, I think that the most powerful trends are because, like in any business, the consumer demand is what drives it--or doesn't drive it. [laughs] If you look back, I think that certainly one of the most important things to draw out of what's happened in this twenty-five year history of the modern American wine business would be going from a very low base of consumption in America through a methodical, steady evolution in which a larger and larger portion of the people at least occasionally consumed wine. I mean, America really wasn't a wine-drinking culture twenty-five years ago; there were little pockets here and there, but most Americans didn't drink wine at all.

If you look at it more closely, it's still a fairly small portion of the total population that does, and it tends to be weighted toward educated people. I think that's partly because, maybe largely because, when a cultural change like this comes about, maybe people that are more affluent and more educated tend to be more traveled and more exposed to it. It's not that the others wouldn't like it if they tried it, they just maybe aren't exposed to it, so they don't think about it. It's still a growing circle, as far as the portion of the population--our wine consumption still is just a few gallons a year per adult, whereas in France and Italy and Spain it's into the mid-teens. It's more like fifteen gallons a year, and it used to be closer to twenty. So it's still a growing thing in our culture.

The other thing I think is sort of related at the same point is the increasing sophistication. Being a relatively highly educated and relatively affluent culture in America, there has been a heavy weighting toward growth in very high-quality wines. There's a higher proportion of that consumed than, say, in Greece, for example, where almost everybody drinks wine, but maybe they didn't have the affluence to drink the high-quality wine.

So there's the growth of wine demand, which continues; there's the growth in sophistication and appreciation of quality, and with that, a willingness to pay higher prices in order to get higher quality, because that in turn allows the winemaker to do the things necessary to make high quality.

Then, I think, following that same line of observation, I just can't say how important I think this globalization of the world economy is, because wine as we think of it, from *vinifera* grapes, was really a very regionalized thing until recently. I mean, it was consumed in Europe and pockets on the coasts of North America and then somewhat extensively in South America, and that was sort of it, until the last decade or so. Now, all of a sudden, like other products that add to the quality of life, it's starting to show up in consumer demand patterns all over the world. And since it has to be made on west banks of continents, at certain latitudes, and all that, that means it needs to be made in these places like France and California and Oregon and Chile, and sent to these other places. So seeing that unfold has been very significant, and I think that growth and demand on a worldwide basis for high-quality wine is going to be one of the most significant things over the next decade or two.

In that environment of growing demand and sophistication and willingness and ability to pay for quality in America, that in turn has led to a gradual--or maybe I should say methodical, because sometimes it was gradual, sometimes it happened in spurts rather quickly--improvement in, first, the knowledge, and then the resulting quality of the wine.

Shift to Focus on Vineyards

Hill: So wine quality from California--and Oregon, as far as that goes--has improved dramatically, even just over the last ten years. I think the first big cause--it's obviously a little more complicated and there are more factors--but the biggest single change in wine quality in my opinion grew out of the period in the late seventies and the early eighties, in which a number of people were starting to realize that if they wanted to make great wine, they had to have great vineyards. That was finally starting to dawn on a number of people in the industry. I don't want that to seem unkind or critical about the people in the industry before that, it's just the industry at that point had been around long enough that people would pay fifteen dollars a bottle more if you did something really good.

Hicke: And I think the winemakers got most of the attention before that, didn't they? The process of making the wine rather than the vineyards.

Hill: Winemakers, and to some degree the science and technology and so on. The winemakers a lot.

During the early eighties then, as a result of that, people were looking around saying, "Well, gee, if I need a vineyard that's so different than what I've been using, where is it?" So they would look at the knowledge available, which was you could draw some sort of empirically from Europe, even from a distance. They grow Chardonnay further north than they do Cabernet, so maybe it's cooler or something. Plus, the University of California at Davis had developed this system called the heat summation system for classifying climates and relating it to the suitability to certain varieties.

Interestingly enough, during those early periods, the University of California had spent a lot more energy and focus on trying to understand the climate side as opposed to the soil side. If you go to Europe, they almost never talk about climate, they talk about soil. But after a while it became clear to me that the reason is that they sorted the climate out so many generations ago, and they figured out that Cabernet works up here in Bordeaux, Pinot Noir up here in Burgundy. They just forgot that it was important because they'd already sorted that part out.

Hicke: Interesting.

Hill: So they focus on soil. They focus on why this vineyard is so much better than one 300 yards away. That short distance--that's soil, not climate.

So, as people looked around, then, they tended to grab what was the best set of useful tools that they could find, which was UC Davis's approach to heat summation. They said, "Well, gee, when I look at this I realize that I've been growing Chardonnay in a climate that's too warm." So they moved south of Napa into Carneros; they moved south and west in Sonoma, up the Russian River; they moved close to the ocean on the Central Coast, and so on; then started planting vines. By the mid-eighties, those vines were coming out, and that, more than anything else, resulted in the dramatic improvement in California wines in the late eighties, because those vines had been planted in the early eighties in cooler environments.

Some of them--a lesser number--also started thinking about soil and started going up on the hillsides, where they understood

that fruits seemed to do better on the hills, whether they had a theoretical framework to explain it or not. So you started seeing more hillside vineyards showing up. Boy, we've sure seen that in Napa. They're creeping up the hills and they're all over. There were hardly any hillside vineyards in the seventies. There had been in the 1880s, because the Italian and German farmers came over and some French, and they knew from the European experience, you always grow grapes on the hills. You don't grow grapes on the valley floor. [laughs] But this new generation that started in the sixties and the seventies--see, they weren't wine drinkers, and they didn't have that heritage, so they went where good farmers always go and found that rich bottom down by the river. So that's where we planted first, and we've evolved up the hills over this period.

During the eighties, then, there was a dramatic evolution in wine quality from California, partly because we had changed where we grew the grapes. We started, slowly but surely, to come to understand what it is about vineyards that determines quality. Also during that period, the winemakers that were coming in and getting experience had the ability of building their experience and building their careers in an environment in which quality was rewarded. So the ones that had talent for that and really preferred that could afford to try to make small batches of wine and sell it for twenty-five dollars if it's really good. They could survive like that, and now there are many of them like that--probably a hundred or two hundred wineries in Napa and Sonoma that only make a few thousand cases. But if they're making a really good wine, and it's just a little family-owned thing, they can make a decent living like that. They couldn't have done that before very easily. They had to try to make bigger volumes and sell it at a cheaper price. So those were very important trends.

Also, we were learning a lot more during that period at all levels--be it formal research through the University of California at Davis, or Fresno State [University], or San Luis Obispo; or just experience by growers and people like myself trying to figure these things out. We started thinking about clones. There's not just Cabernet, there are half a dozen clones available now. There are many more, but there are half a dozen that have enough merit to consider.

Higher-Density Planting

Hill: We started thinking about other issues like higher-density planting. In fact, I would say if you wanted a little insight

into my evolution as a winemaker and our evolution as a company, that sort of mirrors a little bit the industry and, therefore, is of interest because it sort of tells you what was happening in this period. Almost all the current plantings I'm doing now are like 2000 or more vines per acre; whereas back as late as the mid-eighties, virtually all the vineyards were, say, 400-600 vines per acre. Of course, it's much more expensive to put all these here.

The evolution behind that is that during the period of the eighties, when people were starting to achieve quality, a lot of us always looked at what are the counterparts in Europe that make the great wine and how they do it; even if we don't necessarily understand what's happening, maybe we're better if we do this or we do that. One of the things you see right off the bat if you look at that is in, say, Bordeaux and Burgundy, your vine density per acre is very high. So during the period of the second half of the eighties, I was really trying to understand that, because I didn't just want to blindly do it they way the French had done it, because they were notorious for not assimilating new knowledge into the wine business over there. So I was sort of skeptical.

The reasons that were held out for going to high density usually were that the vines would compete with each other for water and therefore create sort of a water-stressing effect. Well, I could see that does happen, but I wasn't sure that was too important to me, because at this point all my vineyards were up in the hills where they dry out and have a lot of water stressing anyway. The other thing was--and the French had proven it repeatedly--that you couldn't take a heavy, loamy vineyard and replace good drainage with vine competition. It just didn't work. If it did, there would be great vineyards all over Europe, and, in fact, the areas that will make great wines in Europe are very limited. So that reason was held out, even as late as when the Opus project was started, but I just didn't think that would work. I'm trying to figure out what the benefit is of that, if anything.

In the meantime, in a parallel effort, not realizing at this time that they were related to each other, I was paying a lot of attention to and doing a lot of experimentation with something that is very fundamental to the wine business. Nobody likes to admit it, so a lot of people are slow to come to the realization, but it's so clear and so time-tested: and that is that the lower the crop, the higher the quality. No one wants to say that, because you don't like to drop crops. It's like throwing away money when you drop crops. But the fact is, that's been conventional wisdom in Europe for ages.

I did a lot of experimenting in the eighties in which we would take a vineyard and we would take alternating rows and we would

drop the crop to different levels, and then we would make separate batches of wine. It was so clear that the quality was increased at much lower crops than we were carrying in California. So I'm going through this process, and somewhere around '88 or '89, it's like the light came on. I mean, you work on something, and all of the sudden you say, "Oh, boy. Why didn't I see that way back in the process?" I realized that we were making a big mistake as far as evaluating our crop levels here, because we were saying, "Okay, Bordeaux, in a good year, they'll get four tons to the acre--usually it's a little less than that--but in a good year they'll get that. So we're not overcropping because we get four tons to the acre here on a good hillside vineyard for high quality wine." What we were overlooking is that we were doing it on 500 vines and they were doing it on 2000 vines. So the crop per vine was much higher.

That led me to a realization of what should have been obvious probably earlier, and that is that the vine is this physiological unit, limited by its genetic structure. No matter what you do to a vine, it won't grow big like an oak tree, nor will it thrive like some little plants. It's got certain genetic constraints in that it will be a little bigger under certain circumstances and a little smaller under others. But there's a range, and it's genetically constrained on what it will do. The cropping has to be viewed from the point of the vine. That's the unit--not the acre. It's the vine. We were grossly overcropping on a per-vine basis. As I did these experiments, it just showed it. The vines were all the same spacing because it was one vineyard--but the ones where I'd low-cropped the vine are much higher quality than higher cropped vines.

Now then that leads you to an august conclusion: "Well, that's great, but if I only carry a low-cropped vine on these 500 vines per acre, I can't stay in business, because I'll only get a ton per acre, and I can't get paid for it and so on." Then that all started to come together, and I realized, "Well, first of all, if you do high-density planting, that allows you to do everything you need to do to hold the vine back." Maybe it varies by vineyard, but typically, now, on most of our vineyards I try to carry twenty-four clusters per vine or less. Traditionally around here, a hillside vineyard would carry forty-something, and a valley floor vineyard may well carry sixty clusters per vine. If you're going to do that, though, you have to keep the vine pruned back, and you have to thin in certain years and so on. And if you're going to do that, you don't use as much space, so you might as well do higher density, then get the extra croppage because you're not using that ground anyway. Secondly, if you are in a high-density situation, you do get some water stressing--competition for water--which condenses the fruit.

So I went and said, "Okay, well, now that makes it obvious why I want to go to high-density planning--because I want my crop per vine to be very low to get high quality." So since then, I've been growing everything high-density planting.

Hicke: But that really requires more capital and it's very much more labor intensive, it sounds like.

Hill: And it only makes sense if you have got a vineyard to start with that's capable of making really high quality. If you have got a vigorous valley floor vineyard that's never going to make high quality no matter what you do to it, you might as well space them out, let them grow bigger, so you recognize that it's just going to be fairly good quality, get your tonnage up, and make your money that way. But if you've got a vineyard that has the climate and soil potential to make great wine, then you come in and do high density, and you do the right clones and everything else. Then you have the potential to make great world-class wine. That trend is not just us, that's the industry. Other people are starting to figure that to one degree or another, so you'll see on these replants on phylloxera, the average density is much higher. Most of them aren't as high as ours, but they're higher.

Value of Hedging

Hill: Then there are many other things. This period since '92 has been sort of a sabbatical for me. I have to go back and think through a lot of things and do a lot of research. For example, the purpose of hedging--which they do in France--I finally realized why they do that. The main reason is all the shoots end up being about the same, therefore all the fruit ripens at the same time. Because it's natural on the vine, when it starts growing, that one shoot will grow out bigger, so then the other one will come out slowly. The juice or sap will tend to go more into that vigorous one, but if you clip off the end, then for a while it doesn't grow, and this one grows and catches up. So if you keep hedging, like we do in our vineyards now--we don't do that to make them look neat, but that allows all the shoots to get in balance.

Hicke: I don't recall ever seeing any vineyards in California that have been hedged.

Hill: We do. We do it in our newer ones.

Hicke: Do you? Not very many others, I don't think.

Hill: Not too many. There are others.

Hicke: Now they're starting.

Hill: And the machines we do it with we import from France, because nobody out here makes any of those machines.

Hicke: I remember when we were in Bordeaux, we couldn't figure out why all these vines looked like they had been clipped off the top. Finally somebody told me.

Hill: Yes. So those things have evolved.

Impact of Phylloxera Problem

Hill: In the meantime, of course, phylloxera came along and emerged. While that's been a very difficult economic thing for the industry and for us--in the sense we had vineyards that we've had to replant, are still in the process of replanting--it did have one effect in the long run, and that is that all this new knowledge that had been building up--now here's a chance to apply it. Otherwise, a lot of these vineyards wouldn't have changed for another thirty years. That has accelerated the change. There's been a lot of knowledge about clones, then rootstocks--not just for phylloxera, but how do those rootstocks impact on the vines?

So our thrust, then, if anything, more than ever is high quality, great vineyards, trying to apply the state of the art methodology in everything from how we develop the vineyard and how we farm it to how we make the wine.

Pre-eminent Wine-growing Regions

Hill: Do you want comments about where it's going? Or is that out of the context?

Hicke: No. I definitely would like to ask you that.

Hill: Okay. You notice this keeps looping back to one principle, and that principle has sort of two sub-parts. One is the vineyard determines wine quality--or more specifically, for the area we're talking about, you have to have a great vineyard to make great wines, which is a function of the concept of terroir--both climate

and soil, the environment. And, secondly, that such vineyards are scarce in the context of the world--certain latitudes, certain distance from the oceanic influence--and then, within those pockets where the climate's right, you have got to find the soils and so on. Those two concepts--I just keep looping back and referring to that, because that's the most fundamental thing to understand if you're interested in fine wine, in my opinion.

I think, as we look forward in the future, if demand continues to grow--even with ups and downs along the way--and if we are looking at this globalization of world demand, which is just going to take it into a new echelon--most of these countries can't do it themselves; they can do mediocre wine, maybe, but not great wine. Then we're going to see pretty quickly over the next ten to fifteen years California and Oregon--and to some degree, Washington--becoming like France, where the grape vineyards are totally planted. While there's some ability to expand the other stuff, the lower you go down the quality spectrum, the more ability there is to expand it.

But the great vineyards become like a fixed commodity, and any time you have a fixed supply in an environment of growing demand, you have prices getting bid up. Because, you know, Bordeaux and Burgundy prices of the classed vineyards--the Grand Crus, the Premier Crus, and so on are the First Growths in Bordeaux--they just keep going up, up, up. It's not because they're getting better, it's because Chateau Lafitte only makes 23,000 cases or whatever the number is, and that's it. But there are more people in the world with more affluence bidding for that fixed amount, and the prices just go up, up, up. You're going to see that. Napa is virtually all planted now; Sonoma is closer than people realize, because you look around and see those hills, and a lot of them--if the hills aren't planted, there's a reason. Maybe the soil's bad, maybe there's no water, maybe it's rock six inches under the topsoil and you just can't see that.

Hicke: Have to wait for a D-20. [laughter]

Hill: Yes, or a nuclear plow or something. [laughter] Plus, in Sonoma, you've got competition with urbanization. Over there, industrialization is sort of gobbling up the land. Sonoma is a lot closer to being planted than you think; Mendocino is; and Oregon, the area where the climate's just right up in the northwestern part is really a pretty small area. So I think we're going to see those grape vineyards identified and planted out in a relatively short period of time. It will surprise a lot of people.

In fact, the best wine prices will get very expensive, and the Oregon wine industry will emerge as America's burgundy and champagne, with the very best coming from up there--but very scarce and very expensive. Washington will come onstream as a producer of claret-type wines, particularly Merlot, Semillon, and Sauvignon Blanc--maybe more Chardonnay that will be good, not quite as good as the very best of California. But Washington will compete more with the claret-type grapes, even though it's farther north, because in Washington, what you have to work with is the high desert behind the mountains. So it's actually Oregon that is the environment that is most like the northern regions in Europe. Washington is actually more like Bordeaux, and therefore competes more with what we do here. They'll become increasingly important, but then that's about it.

In the meantime, Chile will emerge and became known as a place to produce Cabernet and Merlot every bit as good as the great Bordeauxs and the great California Cabernets and Merlots. Those three will sort of reign supreme with everything else being a notch down, including Australia and South Africa and so on. They will all be a notch down. Particularly in the case of Cabernet--Bordeaux, certain coastal pockets in Northern California, and certain pockets in Chile will be, really, the best. Chile will make other wines too--I think, ultimately, Pinot Noir. But the point is, it will join France, California, and Oregon as the premier areas in the not too distant future for quality, which is not where it's been. Most people think of Chile as these nice, good, solid bargains for real cheap prices, but those will tend to eventually come more from other places.

Let's see, what else? And then maybe we'll have some breakthroughs based on greater understanding of microbiology and genetic engineering which will make it possible for us to grow great wine cheaply in Mississippi, and all my theories will go right in the garbage pile. [laughter]

Hicke: No. Well, you're not going to end on that note. Do you think we've pretty much covered everything, then?

Hill: I think so.

Hicke: It's been great. You're very insightful, and you've had a wonderful career. I might come back in fifteen years, though, and find out what happened. [laughter] Thanks a lot.

Hill: My pleasure.

Transcriber: Caroline Sears
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History Repeats Itself — Across the Atlantic

By Anthony Dias Blue

THE tale of Stephen Spurrier's 1973 Paris tasting has been often told. Spurrier, an Englishman with a wine shop in Paris and founder of *L'Academie du Vin* wine school, invited a group of France's most knowledgeable wine professionals to a "blind" tasting of French white Burgundies versus California Chardonnays and French Bordeaux versus California Cabernet Sauvignons. Much to the amazement of the French experts and the international press, the upstart American wines triumphed decisively. Things never ever were quite the same again.

Recently Spurrier, who, with wine expert Robert Fliegel, directs the west coast branch of *L'Academie du Vin*, held a similar tasting in San Francisco. The tasters were winemakers (Warren Winarski, Robert Mondavi, Rodney Strong, Paul Draper and Douglas Meader, to name a few), wine merchants and other wine professionals — 38 in all.

The tasting was set up essentially the same way the Paris event was seven years before. Two flights of wines were presented to the tasters, eight white wines identified only as "Chardonnays of California and France," followed by eight red wines. "Cabernet Sauvignons of California and France." The participants were not told how many wines there were from each country in each group.

Then the tasters were asked to evaluate the wines and rank them. The individual rankings were then tabulated and a group consensus was announced. The results were very definitive, but not surprising. In the Chardonnay group, there were, it turned out, four French wines and four American wines. The Americans came in first, second, third and fourth.

The eight wines had been carefully selected to be of comparable styles, qualities and vintages, yet it was easy to identify the place of origin of each. The nose first release and the lightest and crispest of the lot. Fresh, tangy fruit dominates a wine that shows only a suggestion of oak but plenty of apple-like varietal character.

Blow On Wine

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From a statistical standpoint, these three wines — the Mondavi, Vichon and Mayacamas — were really redolent more of earth than of fruit.

Here are the wines in the group's order of finish (my own ranking agreed substantially) with my tasting notes:

1. 1980 WILLIAM HILL CHARDONNAY 1915s. A bit flabby alcohol; richly textured wine with fresh fruit flavors neatly blended with tones of toasty new oak.

2. 1978 MEURSAULT-PERRIERES, DOMAINE

DES COMTES LAFON (\$20). My favorite of the French entries is crisp and clean with some nice oak toastiness and an appealing delicacy. Somewhat deficient in the nose.

2. 1979 ROBERT MONDAVI RESERVE CHARDONNAY 1920. Rich and harmonious, a carefully balanced wine with subdued oak, fresh fruit and considerable finesse. Perhaps Mondavi's best Chardonnay to date.

3. 1980 VICHON CHARDONNAY (\$14). Another first release and the lightest and crispest of the lot. Fresh, tangy fruit dominates a wine that shows only a suggestion of oak but plenty of apple-like varietal character.

4. 1978 MAYACAMUS CHARDONNAY. This wine, poured from magnum, shows that California Chardonnay can, indeed, age gracefully. Unctuous and rich with touches of vanilla and butter. It is clean, fruity and superb.

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Here are the wines in the group's order of finish (my own ranking agreed substantially) with my tasting notes:

5. 1978 "La Forest" CHABLIS, PREMIER CRU, DOMAINE DAUVISSAT-CAMUS 1912. The highest ranked French wine is crisp and hard-edged with some depth and minimal charm.

6. 1978 MEURSAULT-PERRIERES, DOMAINE

(From a statistical standpoint, these three wines — the Chablis, Meursault and Saint-Aubin — were really redolent more of earth than of fruit.)

7. 1980 SAINT-AUBIN, "Murens des Denis de Chene," Thomas Pere et Fils (still). This is a fairly slight Burgundy with high acid and a bit of faint oakiness. It has elegance but is lacking in bouquet.

8. 1978 CHATEAU NEUF-DU-PAPE BLANC, Chog Pignan (1912). This "ringer" — a Chardonnay made in a place where the variety is almost never grown — is a slightly oxidized and dull wine that was obviously made in too hot a climate. It is decent, but outclassed by the rest of the field.

Anticipating the obvious question, Bob Finigan stated: "I do not think that the 'California palate' was a factor in these results" in other words, if this tasting had been held in some other place besides California (with, say, New York or even French tasters, he thinks the results would have been the same I would have to agree.

Next week I'll report the results of the California Sauvignon tasting.

See *San Francisco Chronicle* ★ Wed., May 26, 1982

WILLIAM HILL TAKES ON THE BORDEAUX FIRST GROWTHS AGAIN

Latest Event

On November 14, 1985, William Hill invited 150 wine lovers to a comparative tasting held at The Mandalay Four Seasons Hotel in Dallas, Texas. Except for a few special guests the tasters were chosen by lottery from over one thousand that had requested to participate. The participants were asked to taste and rank by preference First Growth Bordeaux wines along with Gold Label Cabernet Sauvignons by William Hill of the same vintages. The wines were served "blind", meaning that the participants did not know which wine was in which glass until after the voting. The pouring of the wines and the tabulating of the results were supervised by an international accounting firm.

This event was the fourth in a continuing series of tastings. The previous tastings were held in San Francisco on November 22, 1983, in Los Angeles on January 26, 1984 and in Washington, D.C. on March 21, 1985.

The results of the Dallas tasting which had been billed as "The Showdown in Texas" are as follows:

	<u>Group Ranking</u>	<u>Point Totals (Lower is better)</u>	<u>Approximate Retail Shop Price Per Bottle When First Released</u>
<u>1978 VINTAGE:</u>			
WILLIAM HILL	1st	222	\$15
Chateau Latour	2nd	259	\$40
Chateau Mouton Rothschild	3rd	263	\$40
<u>1979 VINTAGE:</u>			
WILLIAM HILL	1st	226	\$15
Chateau Margaux	2nd	245	\$48
Chateau Mouton Rothschild	3rd	273	\$45
<u>1980 VINTAGE:</u>			
WILLIAM HILL	1st	235	\$15
Chateau Margaux	2nd	246	\$40
Chateau Mouton Rothschild	3rd	257	\$42
<u>1981 VINTAGE:</u>			
Chateau Margaux	1st	230	\$55
WILLIAM HILL	2nd	246	\$15
Chateau Mouton Rothschild	3rd	268	\$55

The results demonstrate, at a minimum, that the tasters found the William Hill to be of comparable quality to the First Growths. Equally clear is that the William Hill, at a fraction of the price of the famous French wines, represents far and away the best value. Judge for yourself!

Available at fine wine shops and selected restaurants across the country.

Wine Talk

Frank J. Prial

WILLIAM HILL is a former investment counselor turned wine maker who produces some of California's most highly respected cabernet sauvignons. His 1980 was, in my view, a letter-perfect cabernet, and wine any vintner in the world would be proud to have made.

To show his wines to the best advantage, Mr. Hill has held tastings and the country in which he pitted cabernets against some famous first-growth Bordeaux chateaus. Here, according to one of his recent counts, are the results of his most recent tasting, held in Dallas last week. 14 According to Mr. Hill, 150 buyers were chosen by lottery from over a thousand eager enthusiasts. Bordeaux were Châteaux Latour, Margaux and Mouton-Rothschild. The event was billed as "The Showdown in Texas."

In the wines of the 1978 vintage, the William Hill placed first, the Latour second and the Mouton third. In both 1979 and 1980 vintages, the William Hill came in first ahead of Margaux and Mouton-Rothschild, and among the 1981's, William Hill was second after Margaux with Mouton-Rothschild third.

Very impressive. But why am I thinking of the Harlem Globetrotters now they roll into town, take over American Legion hall and wipe the set-up opposition to the tune of "Sweet Georgia Brown"?

To be sure, the Bordeaux first growths are no; the same kind of wines that the successors of Meadark Lemon demolish night after night. But the old California vs. Bordeaux trick is no less a setup. California cabernets, unless they are made in someone's bathtub, almost always come out more austere Bordeaux reds in comparative tastings.

The ingenuous, mouth-filling flavors and heady, winy aromas of California wines invariably overwhelm the more subtle, less aggressive Bordeaux wines. I won't say it's fair, but it's particularly inappropriate to match early-developing California wines with slow-maturing French ones. First growths on the 1979 and 1981 vintages have a long way to go before reaching their peak. Mr. Hill's wines may also improve with age, but not much. Those used in this most recent tasting are ready to drink now.

The wine merchant Steven Spurrier in the now-famous Paris tasting of 1980 did much the same thing. He compared some of the best cabernets of the 1974 vintage with a group of first-growth 1974 Bordeaux. Not only were the Bordeaux wines too young; 1974 was a great year for big, smooth, rich cabernets in California and a mediocre year for overly tannic wines in Bordeaux. Spurrier wanted to show European consumers that California wines should be taken

Comparing apples and oranges: A great gimmick but a bad taste test.

seriously — and he wanted to tease the self-satisfied French experts. He succeeded on both counts.

Mr. Hill is careful not to contend that his wines are better than the first growths. He points out that the Bordeaux wines range in price from \$40 to \$55 and argues that his, having done so well in the tastings, are incomparably better values at around \$15.

Indeed, anyone planning to buy a 1981 Mouton-Rothschild at \$55 a bottle for current drinking would definitely be well-advised to consider the William Hill because it is ready for drinking. For someone interested in laying down great wine for the future, though, \$55 for a bottle of 1981 Mouton is not really so scandalous. After all, a bottle of the 1970 Mouton is worth about \$200.

Of much more interest is William Hill's competition in the same price range. Or lower. For example, I would happily stack either the 1982 Château Larose Trintaudon, an unclassified Haut Medoc, or the Château Greysac of the same year, an unclassified Medoc, against Mr. Hill's recent wines.

His might still win, but these two full, rich, dark-colored Bordeaux would give him a good run for his money because they, unlike the classified first growths, are ready to drink. And when it comes to value, they sell for about \$5 or \$6 each. Most of the better-known 1982 Bordeaux are sold out, but some can still be found: the popular Château Gloria, for example, at around \$11, or Château Meyney from St. Estéphe for about \$14.

And even if most of the 1982's are gone, there are dozens of fine 1981's that were overlooked in the excitement caused by the 1982's. The 1981 Duhart-Milon-Rothschild, at about \$13 or \$14, is a magnificent Pauillac. It's delicious right now, but it does need a couple of years. Château Phélan Ségur from St. Estéphe is not a classified growth, but it has long been one of the best buys among Bordeaux wines. The 1981 can be found for about \$6 these days.

Nor is there any reason to stay with Bordeaux. The wines of the Rioja region in Spain, for example, are made in the Bordeaux style but often seem



more to resemble the wines of California.

I recently tasted a Marqués de Cáceres Reserva from the 1970 vintage that would be outstanding in any competition. It costs about \$10. The Torres wines, from the Penedés region, near Barcelona, have always offered exceptional quality at remarkably low prices. It would be fun — and I hope instructive — to put a Gran Coronas Black Label, the very top of the Torres line, against Mr. Hill's cabernets. Some 1976 Black Labels run about \$14.

There are wonderful Italian wines for \$15 and less. A 1974 barolo from Pio Cesare, for example, sells for just about \$15. A powerful Gattinara of the same vintage from Dossiliani lists for about \$12. There are good wines from Australia that are more Californian than the California wines, and, of course, we haven't even touched Burgundy or the Rhône. Or other California wines — but that's yet another story.

What Mr. Hill is doing is not unusual. But it's not really comparative tasting. It's called positioning. If the consumer can be made to associate William Hill wines with first growth Bordeaux, so much the better for Mr. Hill. He will have joined the immortals at a very low membership fee.

It's like those automobile commercials that say: "More trunk space than the legendary BMW!" Even if the car in question is powered by squirrels on a treadmill, the association has been made.

News Release

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Advertising and Public Relations

September 5, 1986

FOR IMMEDIATE RELEASE

FOR: FIELD/PAOLI ARCHITECTS

CONTACT: Michael Fineman
CHA/Claire Harrison Associates
(415) 543-7760**FUTURE WINERY NEAR NAPA TO BE DESIGNED BY
SAN FRANCISCO'S FIELD/PAOLI ARCHITECTS**

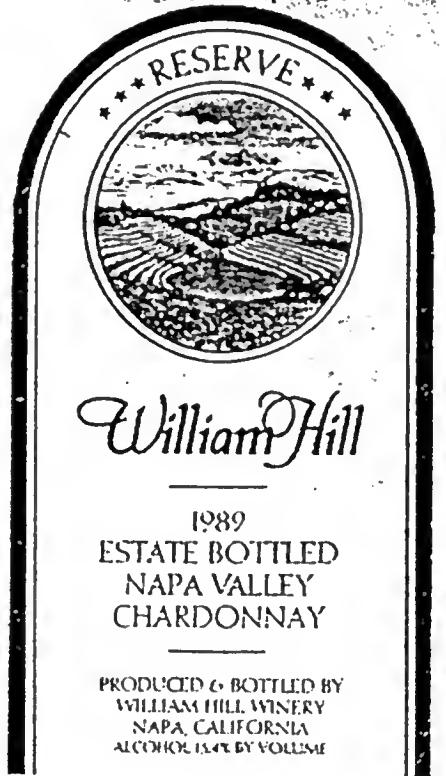
San Francisco's Field/Paoli Architects, designers of the downtown Napa Town Center project in California's wine country, was selected to design the new William Hill Winery near Napa. According to Field/Paoli partner John Field, the planned 135,000 sq. ft. winery will include a public tasting room, staff offices, an entertainment hall, courtyard, parking area, lake, picnic and recreation area.

The William Hill facility will be located on a 60-acre site off Silverado Trail.

"The spot used to be Brown's Feed Lot, so part of the challenge will be to create a landscaped park-like area where there is now neither vegetation nor top soil," said Field. "However, it is a potentially idyllic spot with views extending to the San Francisco Bay on a clear day."

Other current Field/Paoli projects include San Francisco's Stonestown Shopping Center, Stanford Shopping Center in Palo Alto, Santa Barbara's downtown El Paseo Nuevo revitalization project, San Antonio Plaza near San Jose, California First Bank Building in San Ramon, and Draeger's Market in Menlo Park.

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Tasting Notes

1994 Reserve Chardonnay

The fruit component of this wine is perfectly balanced with the rich character derived from barrel fermentation, extended lees contact, barrel aging and malolactic fermentation. It is distinguished by its smooth, creamy texture from sur lie aging. Hints of toasty oak and spice complement the ripe, forward fruit flavors and aromas of this delicious wine.

1993 Napa Cabernet Sauvignon

This wine is distinguished by its outstanding balance and complexity. The wine has an inviting nose of apple and floral aromas, combined with herb and mineral notes. Flavors are mouth filling and crisp, lingering on the finish.

1994 Napa Merlot

This smooth and elegant wine has dense fruit flavors of juicy black raspberry fruit and spicy vanilla aromas, accented with the barest hint of smoke. Full and rich with firm and nicely balanced tannins.

History

William Hill Winery has long been recognized as the producer of some of Napa Valley's most prized Cabernet Sauvignon and Chardonnay wines. The winery's estate vineyards are located in the cooler southern end of the Napa Valley and are planted in rocky, hillside locations.

William Hill produced its first wine in 1978. Immediately acclaimed by collectors and connoisseurs as unique and distinctive, a tradition of the production of first-rate Chardonnays and Cabernet Sauvignons was begun that year, and continues today.

Through several different hillside vineyards have over the years contributed to the success of the William Hill Reserve Cabernet Sauvignon and Chardonnay, the winery's own 100 acre vineyard in the hills above the Silverado Trail, first planted in 1981, comprises the core of these outstanding wines. A state-of-the-art winemaking facility was completed on the property in time for the harvest of 1990, and since that time, all William Hill wines have been produced there.

While the Reserve wines epitomize the rich, focused, concentrated style of William Hill Winery, its Napa Valley offerings are also true to style. These wines are always produced using a percentage of estate fruit, with the balance being entirely Napa Valley grown grapes. Barrel fermented, with rip, rich flavors, they offer significant value in Napa Valley appellation wines.

Beginning with the 1991 vintage, the winery now also produces a Napa Merlot, and the 1992 vintage was the first year of production for the winery's Napa Sauvignon Blanc. True to the William Hill style, these are wines with well-focused varietal flavors and all the richness and structure associated with outstanding fruit from hillside vineyard locations.

William Hill's winemaker, Jill Davis, is widely known as one of the premier winemakers in California. "As Winemaker at William Hill winery, I have the wonderful opportunity to work hands-on with some of the finest fruit in the Napa Valley", says Jill Davis.

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